



Virginia Rural Transit Strategy

Grant Sparks, Director of Statewide Transit Programs

November 18, 2025



Agenda

- Overview of Virginia's Rural Transit Program
- Rural Transit Program Strategy Scope and Objectives
- Peer State Review
- Proposed Strategies
- Next Steps

Overview of Virginia's Rural Transit Program

Virginia Rural Transit Program - Overview



- In Virginia, the rural transit program is supported by the FTA Section 5311 Rural Area Formula Grant funding program
- As of FY25, 21 agencies receive FTA 5311 funding to support rural transit operations and capital purchases
- Services Types Include:
 - **Fixed Route Bus**
 - **Deviated Fixed Route Bus**
 - **Demand Response Bus/ Van Services**
 - **Intercity Bus (Virginia Breeze)**

Photo Courtesy of CSPDC/ Brite Bus

Virginia Rural Transit Program – Facing New Pressures

- **Federal Program and Policy Changes:**

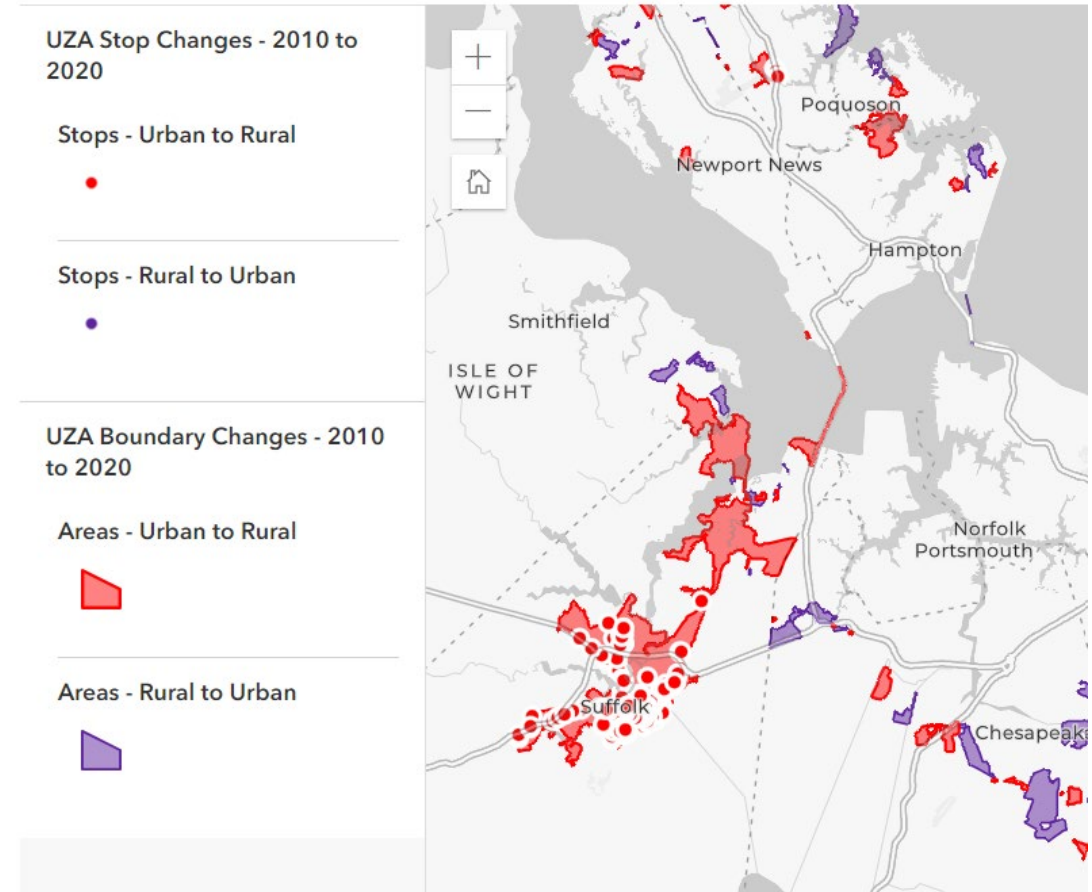
- CARES, ARPA, and other COVID era funding has all been obligated
- Changes in US Census methodology for identifying urban vs. rural areas
 - Two agencies that previously operated in urban areas are now included in the rural program:
 - City of Suffolk – Suffolk Transit
 - City of Radford – Radford Transit
- Census changes impacted all states, so the urban to rural shift did not result in significantly higher FTA 5311 allocations
 - **FY24 Total: \$23.1m**
 - **FY25 Total: \$24.0m (+\$888k)**

- **Transit Industry Changes**

- Capital costs (i.e. vehicles) and operating costs (i.e. labor) have significantly increased

- **Interest from New Rural Localities**

- New localities seeking to join the program



Virginia Rural Transit Program – Observations

- **In FY24, FY25, and FY26:**

- DRPT allocated more federal rural funds than we received in new federal formula funding
- Rural funds obligated to operating projects alone exceeded the amount of new FTA 5311 funding appropriated to the state
- The program was trending in this direction for the past 4-5 years, but generous COVID relief funds kept us from seeing the trend in practice

Federal Rural Revenues, Obligations, and Carry-Over Balances – FY24 to FY26

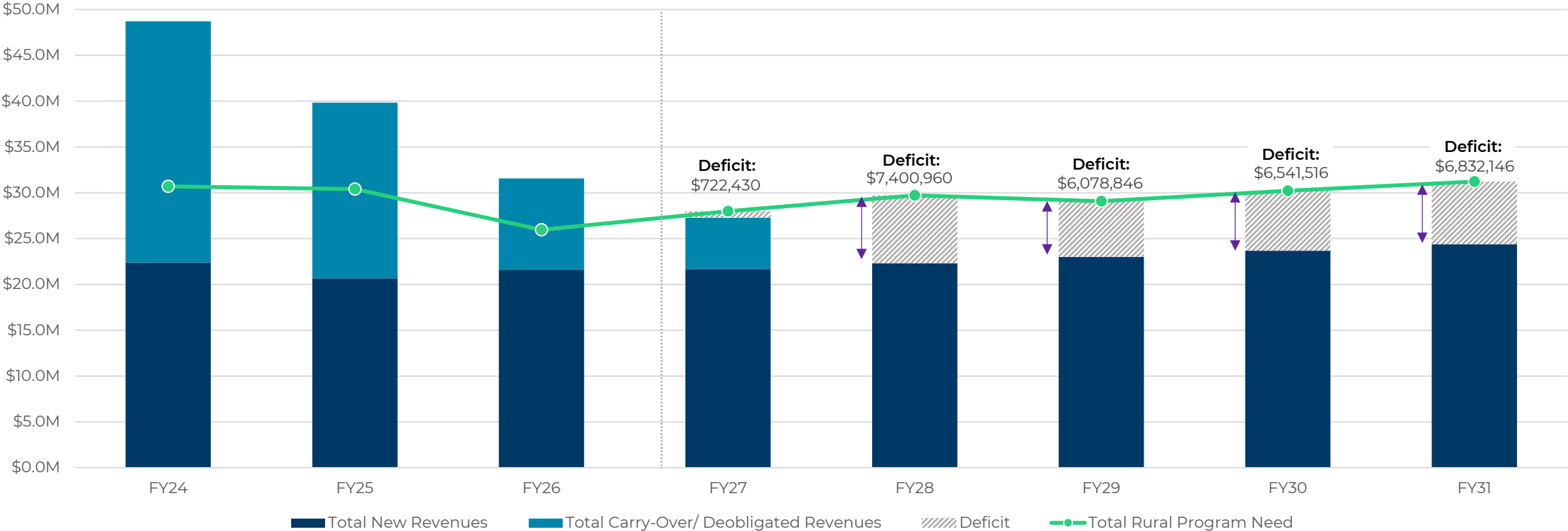
Summary Item	FY24	FY25	FY26
Total Federal 5311 Revenue ¹	\$54.1M	\$43.2M	\$34.4M
Total Federal 5311 Obligation	\$36.1M	\$33.7M	\$28.8M ²
Carry-Over 5311 for Future Use	\$18.0M	\$9.4M	\$5.6M

¹ Includes new, carry-over, deobligated, and one-time discretionary revenues

² DRPT adjusted the federal capital match rate in FY26 to 28% for 5311 supported projects

All Federal Revenues vs. Needs FY24-FY31

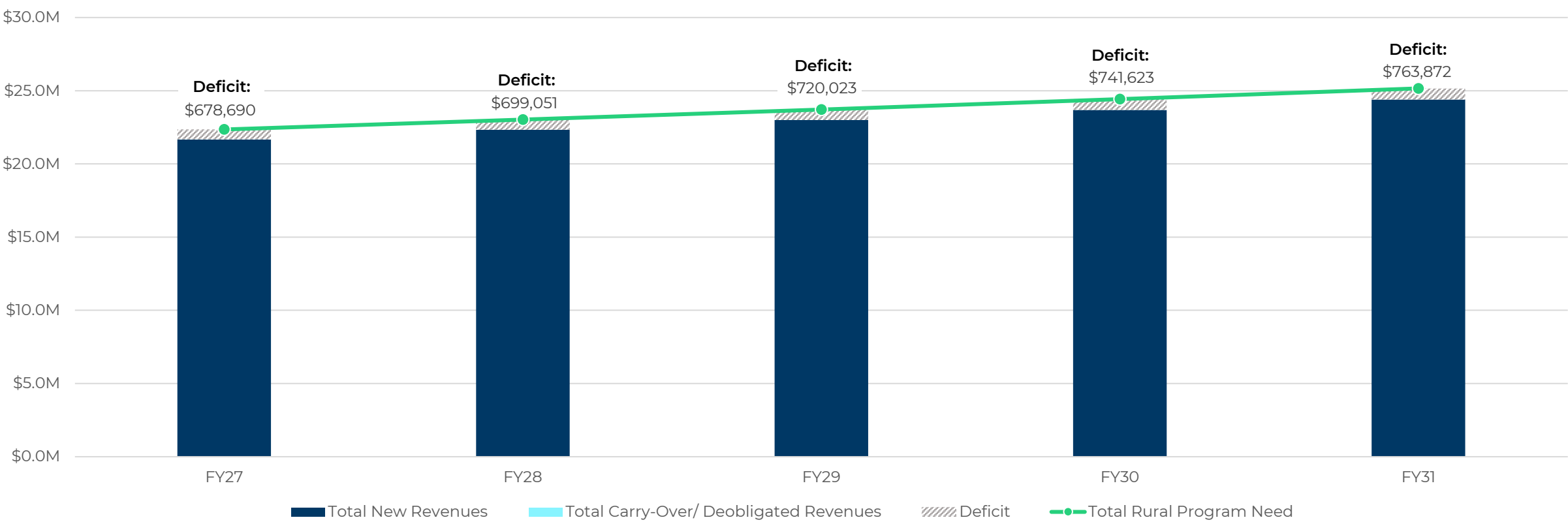
All Federal Rural Transit Revenues vs. Capital & Operating Needs | FY24-26 Actual, FY27-31 Projected
Projected Shortfall: \$33 million



Assumptions:
Operating - 3% growth in expenses each future FY and 50% match for 5311
Capital - 28% federal 5311 match on projects included in the FY26 5-Year Capital Budget
Excludes VA Breeze Revenues and Allocations

New Federal Revenues vs. Operating Needs FY27-FY31

Projected New Federal Rural Transit Revenues vs. Operating Needs FY27 to FY31
Projected Shortfall: \$3.6 million



Assumptions:
Operating - 3% growth in expenses each future FY and 50% match for 5311
Excludes VA Breeze Revenues and Allocations

Program Pressures Create Uncertainty



- **In FY27:** DRPT should have enough 5311 to support all operating needs of existing agencies (at 50%) and some capital needs (at 96%)
- **In FY28 and Beyond:** DRPT will *most likely* only have enough guaranteed new federal rural funding to support operating needs of existing agencies but at less than 50%
- **DRPT is planning for all possibilities:**
 - How to prioritize limited funding if there is not an increase federal or state revenues
 - How to shift current state and federal revenues to address the shortfall

Virginia Rural Transit Program Strategy Scope and Objectives

Strategy Objectives

- **Objective 1:** To identify statewide goals and priorities for the Virginia Rural Transit Program
- **Objective 2:** To further understand what is driving cost increases in the rural transit program and identify cost control methods that can be applied
- **Objective 3:** To define how DRPT will prioritize the allocation of limited Federal Rural Area Formula Grant funds to rural areas based on the goals and priorities identified
- **Objective 4:** To identify potential long-term strategies for how the Commonwealth of Virginia and DRPT can seek to remedy funding shortfalls with additional funding sources

Rural Strategy Advisory Group

- The **Rural Strategy Advisory Group** included partners and stakeholders who provided strategic direction for this study.
- Advisory group members are transit agency and local government representatives, including key decision-makers and subject matter experts across the state.

DRPT Rural Transit Program Strategy

will identify and define:

- **Statewide Goals**
- **Rural Transit Program Costs**
- **Allocation of Grants**
- **Long-term Funding Goals**

Project Timeline

Task No.	Task	2025												2026	
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
1	Project Management and PMP														
	Project Management and Project Management Plan														
	Project Management Plan and Schedule	1													
	Bi-weekly Progress Meeting														
2	Rural Strategy Advisory Group (RSAG)														
	Establish RSAG Membership														
	RSAG Meetings			1		2	3	4		5	6				
3	Stakeholder Engagement – TBD														
	Engagement Plan														
	Stakeholder Workshop														
4	Peer States Review														
	Identification of Peer States			1											
5	Initial and Ongoing DRPT Rural Transit Program Analysis														
	Program Analysis			2	3	4									
6	Final Rural Transit Program Strategy Report														
	Strategy Report							5			2				
	Implementation by DRPT														

- 1 Project Management Plan
- 1-6 RSAG Workshops #1 – #5
- 1 Peer State Review
- 2 Rural Program Trends
- 3 Rural Transit Expenditures and Potential Cost Control Measures
- 4 Rural Transit Needs Assessment
- 5 Rural Transit Strategy Development
- 2 Final Report



Peer State Review

Peer State Review – Summary of Findings

- Other states take different approaches to how 5311 funds are distributed:
 - Formula approach – similar to a federal apportionment methodology
 - Use for only operating or capital, not both
- Other states utilize other federal funds (i.e. 5339, 5310, flexible federal, state) to supplement rural apportionments
 - Virginia does this, but in an ad hoc manner
 - Those other sources are currently committed elsewhere
- Other states are less generous in funding rural transit – requiring higher local matching funds
 - The local match for capital projects (**4%**) in Virginia is lower than all peer states
 - Ohio, North Carolina, Tennessee, and Washington allow any city, county, or transit authority to impose an additional sales tax approved by voters to support public transportation projects and services

Proposed Strategies: Funding, Program Management, and Cost Mitigation

Potential Funding Strategies

Potential Funding Strategies - Context:

- DRPT continually seeks additional federal discretionary opportunities to bring additional funding to Virginia, but these funds are never guaranteed
- **Funding Strategies are other high level policy options that DRPT could pursue to increase and/or rebalance the revenues available to support the rural transit program**
 - These strategies focus on bringing in alternative revenue sources and/or shifting existing revenue sources to offer flexibility to DRPT and partner agencies

Potential Funding Strategies

1. Allow for a Higher Max. State Match Rate on Rural Capital Projects

- Seek a CTB Policy change that would allow for an increased maximum state match for rural capital projects in times of stress or need

2. Identify Alternative Funding for the Virginia Breeze

- Provide funding for Virginia Breeze operations from of a different state source, freeing up, up to \$3M per Fiscal Year in federal 5311 funds for other rural transit needs

3. Use Other State Controlled Federal Funding

- Use existing state controlled federal funding coming to VA to fill the rural transit program gap
- 5339(a) Formula, Flexible STP, other FHWA Flex Funds

Potential Program Management Strategies

Strategy 1:

Prioritize Distribution of 5311 Funding – Operating vs. Capital

Strategy 1 - Context:

- **5311 Federal Rural Transit funds can be used to support:**
 - Rural Operating Expenses: up to 50%
 - Rural Capital Expenses: up to 80%
- **Under the current approach of DRPT:**
 - First: Operating needs are funded at 50% of projected budget
 - Second: Remaining 5311 funds are assigned to capital projects
- **DRPT has had enough 5311 funding to provide for all Operating and most Capital Needs, but may not be able to in a future Fiscal Year**

Strategy 1: Prioritize Distribution of 5311 Funding

Option 1:

Prioritize 5311 funding for
operating support

- Fund operating needs first at as close to the max 50% as possible
- Use any remaining funds for Capital project support, if available

Option 2:

Ensure 5311 funding for
operating and capital support
each year

- Fund operating first (likely less than 50% of budgeted operating expenses)
- Ensure that some 5311 is preserved for capital project support

Strategy 1: Prioritize Distribution of 5311 Funding

Option 1:

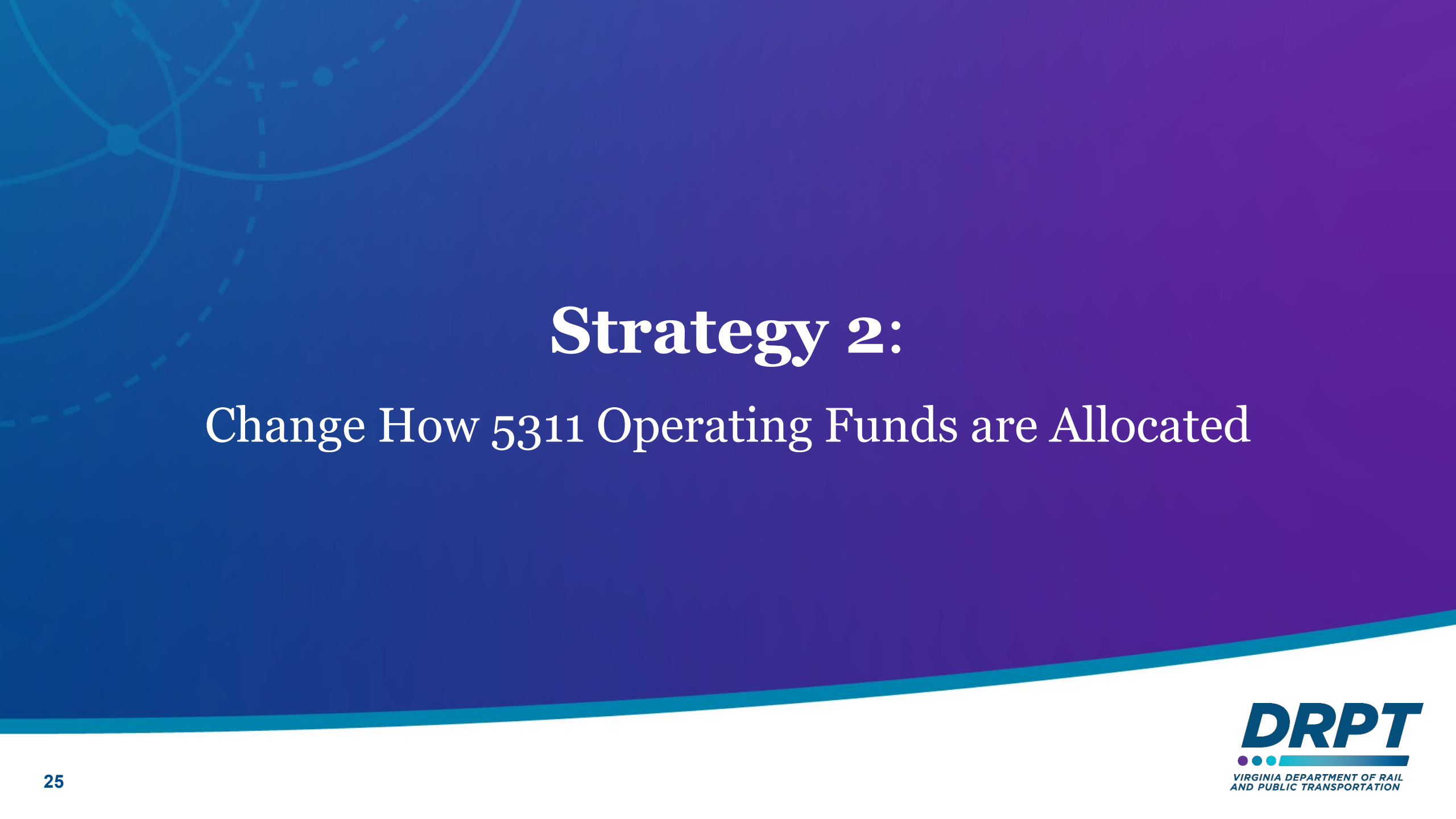
Prioritize 5311 funding for
operating support

- Fund operating needs first at as close to the max 50% as possible
- Use any remaining funds for Capital project support, if available

Option 2:

Ensure 5311 funding for
operating and capital support
each year

- Fund operating first (likely less than 50% of budgeted operating expenses)
- Ensure that some 5311 is preserved for capital project support



Strategy 2:

Change How 5311 Operating Funds are Allocated

Strategy 2 - Context:

- **Under the current DRPT approach:**
 1. Rural Transit providers submit a projected budget for the next Fiscal Year
 2. Budgets are reviewed by DRPT staff
 3. DRPT provides 5311 Operating allocations equal to 50% of the final budget for each agency
- **In a future Fiscal Year, DRPT may not receive enough 5311 funding to continue with business as usual:**
 - Current Rural 5311 Operating Allocation: 50% of projected budget for next FY
 - Future Rural 5311 Operating Allocation: Less than 50% of projected budget
- Strategy 2 explores options for how DRPT could arrive at this lower share

Strategy 2: Change How 5311 Operating Funds are Allocated

Option 1:

Allocation Based Proportionally on Estimated Budgets

- Continues to use submitted transit agency budgets for the next Fiscal Year
- Allocation share will be below 50% of budgets
- Agencies will see their 5311 operating allocations in April
- **Less predictable than today:** Agencies will not know their allocation amount until after applications are reviewed and funded
(For FY27 – April 2026)

Option 2:

Allocation Based on Formula with Historic Data

- Include factors such as: Audited Expenses, Vehicle Revenue Hours, or Vehicle Revenue Miles
- Allocation share will be below 50% of budgets
- Calculations in the fall prior to applications
- **More predictable than today:** Agencies could know their projected allocation amount prior to applications due date
(For FY27 – November 2025)

Strategy 2: Change How 5311 Operating Funds are Allocated

Option 1:

Allocation Based Proportionally on Estimated Budgets

- Continues to use submitted transit agency budgets for the next Fiscal Year
- Allocation share will be below 50% of budgets
- Agencies will see their 5311 operating allocations in April
- **Less predictable than today:** Agencies will not know their allocation amount until after applications are reviewed and funded
(For FY27 – April 2026)

Option 2:

Allocation Based on Formula with Historic Data

- Include factors such as: Audited Expenses, Vehicle Revenue Hours, or Vehicle Revenue Miles
- Allocation share will be below 50% of budgets
- Calculations in the fall prior to applications
- **More predictable than today:** Agencies could know their projected allocation amount prior to applications due date
(For FY27 – November 2025)

Strategy 3:

Increase Local Match for Rural Capital Projects

Strategy 3 - Context:

- **If less federal 5311 funding is available to support capital projects in the future, this would result in an increase to the local match required for capital projects:**
 - Current Rural Capital Local Match: 4% [28% federal, 68% state]
 - Future Rural Capital Local Match: up to 32% [68% state only]*
- **Within the rural capital program, predictability in local match rates is important even if the future local contribution rates are higher than historic levels**
- Strategy 3 explores options for how DRPT can approach increasing local match rates on rural Capital projects

Strategy 3: Increase Local Match for Rural Capital Projects

Option 1:

Increase Local Match for all Rural Capital Projects to 10%

- Decrease the combined standard state + federal match rate from 96% to 90%
- DRPT can provide funding for less projects
- 10% local match is easier for transit providers

Option 2:

Increase Local Match for all Rural Capital Projects to 20%

- Decrease the combined standard state + federal match rate from 96% to 80%
- DRPT can provide funding for more projects
- 20% local match is harder for transit providers

Strategy 3: Increase Local Match for Rural Capital Projects

Option 1:

Increase Local Match for all Rural Capital Projects to 10%

- Decrease the combined standard state + federal match rate from 96% to 90%
- DRPT can provide funding for less projects
- 10% local match is easier for transit providers

Option 2:

Increase Local Match for all Rural Capital Projects to 20%

- Decrease the combined standard state + federal match rate from 96% to 80%
- DRPT can provide funding for more projects
- 20% local match is harder for transit providers

Potential Cost Mitigation Strategies

Potential Operating Cost Mitigation Strategies

1. Year-Over-Year Growth Cap:

- Increases in 5311 operating allocation awarded to any one agency is capped (ex: 5% cap)

2. Fund Expansions of Existing Rural Service w/ MERIT Demonstration Funding

- Require existing rural service providers to seek demonstration assistance funds for a minimum of 2 years for service expansions

3. Make Certain Operating Cost Categories Ineligible for 5311:

- DRPT could define certain categories of operating expenses as ineligible

Potential Capital Cost Mitigation Strategies

1. Extend Min. Useful Life for Certain Vehicle Types:

- Increase the minimum useful life standard for two Body on Chassis (BOC) vehicle subtypes to more directly align with industry standards
- Vehicle types: Light Duty, Medium BOC and Medium Duty, Large BOC

2. Cooperative Procurements:

- Explore ways to implement bulk/cooperative procurement for high-cost items like scheduling software and other technologies
- Examples: Software, Fuel, Other Technology - APC, AVL, Cameras

Next Steps

- Final Report
- One-Page Briefing Document for Transit Agencies and Stakeholders
- Considerations for FY28 and Beyond
 - Pursue development of a formula-based allocation for 5311 operating
 - Pursue CTB capital policy change for increase state match rate on rural capital projects (68% is current cap)
 - Modify useful life on certain vehicle types
 - Continue to submit FTA discretionary funding applications

Questions