
CHAPTER 4

FEDERAL AND STATE INTERCITY BUS POLICY

The purpose of this chapter is to present the current federal and state policy context within which Caltrans works to maintain and improve the state's rural intercity bus services. Discussion begins with an overview of federal policy, the funding program, and regulatory controls with respect to rural intercity bus services. Next, a discussion of Caltrans' implementation of the primary federal funding program for rural intercity bus service, the State's regulatory structure, and brief description of program implementation are discussed. The last section contains a review and discussion of statewide policy documents that may affect or guide the provision of intercity bus services.

FEDERAL INTERCITY POLICY

The State of California policy regarding intercity bus transportation exists within the context of the federal policy structures that have evolved over the past several decades. These federal statutes have been specifically designed to pre-empt state policy and regulation. In general, the federal policy is that interstate bus transportation is not regulated at the federal level in terms of: a) entry (which carriers can serve which routes); b) exit (whether a carrier is allowed to abandon a route); or c) rates (the federal government no longer oversees rates at all). Federal regulation is limited to ensuring that carriers are financially responsible (have adequate insurance) and meet safety standards. Because it is recognized that the federal policy of deregulation has reduced service coverage and level in rural areas, federal policy also provides for financial assistance for intercity bus service to, from, or in rural areas. Federal policy also recognizes that there are benefits to ensuring that travelers have the ability to make connections between modes, including intercity bus, local transit, and intercity rail passenger services. In this respect, federal funding has been made available for constructing intermodal passenger facilities, including the intercity bus related portions. The following section discusses federal and state policies that resulted from the period of deregulation.

Federal Assistance for Intercity Bus Service—FTA Programs

By the late 1980s and early 1990s, federal policy-makers began to address the need to provide ongoing funding assistance for rural intercity routes. As a result, which led to the creation of the Section 18(i) program of assistance was created for rural intercity routes as part of the 1992 Intermodal Surface Transportation Efficiency Act (ISTEA) authorizing legislation. This

program was subsequently codified as 49 USC Section 5311(f), and is fully described in the (draft) Chapter VII of Circular 9040.1E. The basic program has remained the same since 1992, with only minor changes. Passage of the latest federal transportation authorization bill: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), resulted in the most substantial change in the program to date. SAFETEA-LU also included some additional changes that affect the use of federal funds for intercity bus projects.

Federal Definition of Public Transportation Does Not Include Intercity Service

SAFETEA-LU adopted a change in the FTA definition of public transportation constraining the use of federal transit funds for intercity bus services with three exceptions—the S.5311(f) rural intercity bus assistance program, intermodal facilities, and the S.3038 Over-the-Road Bus Accessibility Program of the Transportation Equity Act for the 21st Century (TEA-21) to assist in purchasing accessibility equipment and training for private operators of over-the-road coaches. This means that public transit agencies that receive FTA funding cannot operate intercity bus service between urbanized areas—this is a market reserved for the private for-profit industry. The three types of federal intercity assistance are discussed in the following section.

Rural Intercity Bus Assistance Program- S.5311(f) Funding

Federal S.5311(f) is a key to intercity bus operations and it is used in a majority of states to subsidize targeted intercity bus services. Section 5311(f) is a subsection of the S.5311 formula allocation program for small urban and rural areas under 50,000 population. The amount of funding provided to each state is based on the non-urbanized population of the state, and Section 5311(f) is a 15 percent set-aside portion of that allocation.

These program funds can be used for capital, operating, planning, and administrative assistance. Eligible recipients are state agencies, local public bodies, non-profit organizations, Native American Tribal Groups, and operators of public transportation services. Fifteen percent of the annual S.5311 apportionment must be used to support intercity bus service through the rural intensity component unless the governor of the state certifies that all such bus needs are met. A partial certification is also possible, if the rural intercity needs can be met without utilizing the full 15 percent set aside. If the governor certifies that intercity needs are met, the funding reverts to the overall S.5311 program for use on other rural transit projects. States planning to certify (partially or completely) are required to undergo a call for the certification process that identifies intercity carriers, defines activities the state will undertake during consultation, provides opportunities for intercity carriers to submit information regarding service needs, examines unmet needs, and documents results of the consultation.¹

Under the S.5311(f) program, intercity bus service is defined as regularly scheduled bus service for the general public which 1) operates with limited stops over fixed routes connecting two or more urban areas not in close proximity, 2) has the capacity to carry passenger baggage, and 3) makes meaningful connections with scheduled intercity bus service to points outside the

¹ Federal Transit Administration FTA C 9040.1F, Nonurbanized Area Formula Program Guidance and Grant Application Instructions, Chapter VII. April 1, 2007.

service area. Feeder services to intercity bus services are also eligible under the FTA program² Commuter service is excluded. The S.5311(f) program is implemented by each state as part of its overall S.5311 program.³ It should be noted connection to intercity bus services is a key element of the federal program guidance:

Connection to the national network of intercity bus service is an important goal of Section 5311(f) and services funded must make meaningful connections wherever feasible....The definition of intercity bus service does not include commuter service (service designed primarily to provide daily work trips with the local commuting area)...Intercity bus does not include air, water, and rail service.⁴

In the circular, FTA includes guidance that makes clear that S.5311(f) funded intercity services must take schedule considerations into account to have a meaningful connection with scheduled intercity bus services to points outside the service area, thereby including the dimension of time (schedule) to the definition of a meaningful connection. Furthermore, FTA suggests that services that include a stop at the intercity bus station as one among many stops in the urban area should not properly be considered for S.5311(f) funding, but instead should utilize other federal funding programs. Both of these interpretations have the effect of narrowing the definition of eligible intercity service that satisfy S.5311(f) criteria.

Historically, for both S.5311 and S.5311(f) capital funds, the maximum federal shares have been 80 percent of the cost for capital, and for operating assistance, 50 percent of the net cost. Following the passage of SAFETEA-LU, California has been able to utilize a sliding scale of federal match rates, permitting a maximum federal share of 55.33 percent of net project cost for operations, and 88.53 for capital. Net cost or operating expenses are those expenses that remain after operating revenues, which at a minimum include farebox revenues, are subtracted from eligible operating expenses. In cases throughout the country, obtaining local cash operating match has been a major program issue, particularly in states that provide no state operating assistance.

State administration, planning, and technical assistance activities in support of intercity bus service are eligible for a 100 percent federal share if included under the 15 percent cap on state administration expenses. The amount of S.5311 funding available for planning of intercity bus service is not limited by the 15 percent cap. However, the federal share of any planning assistance for intercity bus not included in the 15 percent allowed for state administration is limited to 80 percent of the planning cost.

For projects that may have both a rural and urban component (for example, a bus terminal located in an urbanized area, but served by rural routes), recipients can use S.5311(f) funds as a portion of the overall project funding. Their use for capital projects in urbanized areas is limited

² FTA does not define “feeder service” as distinguished from “intercity bus service”, except that “feeder services” may be demand-responsive in nature.

³ FTA typically defines “commuter services” as services operated in peak work trip hours, often with the preponderance of schedules in the peak direction, often having available multi-ride tickets or passes to reduce the fares of regular users (commuters).

⁴ Ibid., p.VII 4-5.

to those aspects of the project that can be clearly identified as a direct benefit to services to and from non-urbanized areas. Such projects have to be included in both the metropolitan Transportation Improvement Program (TIP) and the State Transportation Improvement Program (STIP).

With regard to eligible recipients, for the S.5311(f) program only, FTA allows states to pass-through funds to private intercity bus carriers directly as subrecipients, if they are willing to accept the federal terms and conditions. Private carriers may decide not to be recipients directly, and prefer to be third-party contractors to a subrecipient (which may be the state itself or a local public entity or nonprofit organization). As a third-party contractor, a carrier is able to isolate its other (non-assisted) operations from the requirements associated with a federal and/or state grant.

Use of the Value of Capital on Connecting Unsubsidized Service as In-kind Match for Operating Assistance

On October 20, 2006, FTA executive management approved a two-year pilot project⁵ allowing states to use the capital costs of unsubsidized private sector intercity bus service as in-kind match for the operating costs of connecting rural intercity bus feeder service. This decision, and the guidance that followed, closely follow a proposal developed on behalf of the Washington State Department of Transportation (WDOT). This approach is similar in concept to the permitted use of human service transportation funds for match by S.5311 and S.5307 providers.

As part of this approach, the value of the capital cost portion of the connecting unsubsidized services is used as in-kind match because the operating cost portion of these miles is offset by the revenues, and so it would not be eligible for operating assistance in the absence of a net operating deficit (and therefore would not be eligible to be considered as an in-kind contribution). Based on the precedent of the FTA regulations permitting 50 percent of the total cost of a turnkey operating contract to be considered as eligible for the 80 percent capital match ratio, FTA has allowed 50 percent of the total per-mile cost of the unsubsidized connecting intercity bus service be considered as the in-kind capital contribution of the intercity bus company to the rural intercity bus project.

The project definition includes the connecting unsubsidized service on a specified segment, in terms of both costs and revenues. As in the case of most intercity bus services, costs are based on the cost per bus-mile. The length of the segment and the frequency of the connecting service determine the number of bus-miles operated in turn setting a limit on the value of the in-kind contribution. The capital cost portion of the unsubsidized segment is included. Depending on the project definition, the amount of unsubsidized service may provide enough in-kind match to cover the net operating deficit of the rural feeder service. FTA recognizes that the amount of in-kind match may not be enough to fully fund the feeder service, and that additional cash match may be required. However, if the in-kind match exceeds the

⁵ In the January 28, 2008 [Federal Register](#) (p.4967), FTA extended this funding option through FY 2009, the end of the SAFETEA -LU authorizing legislation.

amount needed, the excess cannot be used to increase the federal share above the actual operating deficit of the project.

In cases where the unsubsidized (from an operating perspective) connecting intercity service is already operated with FTA-funded capital for vehicles, the percentage used for in-kind will need to be adjusted, following the guidelines provided by FTA for determining percentage of contract cost eligible for capital under capital cost of contracting in cases where the buses are FTA-funded. This circumstance would necessarily reduce the amount of in-kind generated.

A major part of the rationale for this approach is based on the call for “meaningful connections with scheduled intercity bus service to more distant points” contained in the FTA Circular. Because the proposal for valuing unsubsidized service as local match involves defining the project in terms of a meaningful connection, FTA’s guidance requires that the private operator has consented to the arrangement in the project, and it must acknowledge that the service it provides is covered by the labor warranty and other requirements.

Because this essentially supplants the need for local operating match, it will have the effect of utilizing the available S.5311(f) operating funds at approximately twice the rate than would have been the case, where local sources (including carriers or transit agencies) provided local match for 50 percent of the net operating deficit. In addition, it means that the policy guidelines and project designs will need to conform to the FTA guidance for such projects, and that the private carriers providing the unsubsidized segments will need to be full participants in program and project design.

Bus and Bus Facility Program for Intermodal Terminals

Another aspect of federal programs supports intermodal terminals—i.e. passenger terminals that are served by more than one transit mode or carrier. There are many such terminals around the country that are served by private for-profit intercity bus companies, in which passengers can change carriers. Many of them also have intercity or commuter rail passenger service, and most have local bus transit or other transit service.

Many intermodal facilities are joint development projects that include commercial office space, retail space, or even residential units. These projects are typically developed by local transit or development authorities, which act as the applicant for funding. Private for-profit intercity bus firms have been involved, either as partners (contributing some of the local capital match), or tenants (leasing docking space for buses, counters, offices, and paying a pro rata share of common space), or sometimes both (paying a pro rata share of operating expenses, but not having to lease because of participation in the local match). Funding for these projects has generally come from the FTA capital programs—particularly the Bus and Bus Facilities funding (formerly Section 9), much of which is earmarked by Congress for specific projects, but also as an eligible capital project under S.5307, S.5311, or S.5311(f). In some cases, applicants have used (sought) earmarks directly. Congestion Mitigation Air Quality (CMAQ) program capital funding has also been used for intermodal facilities, including both terminal buildings and park and ride lots.

In the past, FTA guidance about private intercity bus operator participation has been interpreted by some to require that these firms be treated as if they are the same as any other non-transit private use—i.e., FTA funds could not be used to build or operate portions of a project used by the private carriers. In these cases, the projects often required the high rents expected of commercial tenants, or bus companies to fund the full cost of facility improvements attributable to the intercity carriers. However, in SAFETEA-LU, a revision to the transportation authorization makes it clear that private intercity carriers should be considered as eligible to benefit from federal transit funding in these projects—the intercity bus portion of an intermodal facility is now eligible under the Bus and Bus Facilities program.⁶

In addition, SAFETEA-LU authorizes \$35 million per year under the Bus and Bus Facilities discretionary program (Section 3011) for intercity bus facilities. This program totals \$175 million over the life of the bill, FY 2005 through FY 2009. The program is administered by FTA, and is likely to fit within the general Bus and Bus Facilities program. This funding could potentially be a source of capital for intermodal facilities in California—it is likely that this funding will be considered as having been applied to the earmark projects that have intercity components, so it may not represent a new additional source. SAFETEA-LU contains an extensive list of such projects.

Section 9 funding has also been used in the past in other states for buses, including not only rural and urban transit buses, but also intercity buses that were made available for use by private firms. While this has not been common, it is another way to provide vehicle capital for rural intercity services.

Over-the-Road Bus Accessibility Program--S.3038

This program was authorized as part of TEA-21, and continues under SAFETEA-LU. It makes funds available to private operators of over-the-road buses to pay for the incremental capital and training costs associated with compliance of the final DOT rules requiring accessibility on over-the-road buses (OTRBs) operated by private entities.⁷ The S.3038 program is unusual in that it is administered directly by FTA (including its regional offices) rather than being managed by state recipients. The solicitation for applications is conducted on a national basis, with federal funding to provide up to 90 percent of the costs of accessibility equipment (such as wheelchair lifts, access doors, folding seats, interlocks, tie-downs, etc. and the labor cost for installation) and training. The funds can be spent on the incremental costs of this equipment on a new coach, or used to retrofit existing coaches. In FY 2006 \$5,568,750 was provided to regular-route carriers, and an additional \$1,856,250 to charter and other over-the-road bus operators.

OTRBs are defined as buses with a high seating deck with luggage compartments below. The definition of intercity, fixed-route over-the-road bus service is essentially the same as that for the S.5311 program: “regularly scheduled bus service for the general public, using an over-the-road bus that: operates with limited stops over fixed routes connecting two or more urban

⁶ Preliminary guidance about this change has been issued by FTA.

⁷ 49 CFR Part 37, published in the Federal Register on September 28, 1998 (63 FR 51670).

areas not in close proximity; has the capacity for transporting baggage carried by passengers; and makes meaningful connections with scheduled intercity bus service to more distant points”. The only difference is the focus on the over-the-road bus. However, it should be noted that the bus industry associations have provided models for grant applications, and the ten percent carrier match is not a major barrier to participation (it is likely that the cost of having a vehicle out of service for a retrofit is a larger barrier). The major national scheduled carrier, Greyhound Lines, received \$2,803,950 in FY 2006 from FTA directly for its national fleet. Greyhound Lines has received grants from a number of states for S.5311 capital funding for the incremental costs of lifts and training, but that is outside this program.

CMAQ Funding

CMAQ funding is FTA funding available in air quality non-attainment areas for projects that reduce emissions, such as transit projects that attract patrons from single-occupant autos. The funding can be used for capital projects or operating assistance, although operating assistance is limited to three years. CMAQ has been used for park and ride lots, intermodal terminals, and coaches that are used by private for-profit intercity firms, usually for services with a major commuter component. In that sense this source of funding is complementary to S.5311(f) funding, which cannot be used for commuter services.

New Hampshire DOT has used this funding source to build a network of services that provide intercity trips to downtown Boston (commuters and intermodal connections to Amtrak and intercity bus services) and to Logan Airport. The New Hampshire approach uses CMAQ capital to build passenger terminals with park and ride lots, which are then used, operated, and maintained by the private firms. Buses have also been provided to private carriers and CMAQ is being used to provide operating assistance for some commuter-oriented services. In Colorado, a similar effort used CMAQ for the Front Range Express (FREX) service between Denver and Colorado Springs.

In California, two projects associated with intercity bus service using CMAQ funds include: Amador County (Sutter Hill Transit Center) and Morongo Basin Transit Authority. Amador County received 5309 (Bus and Bus Facility) and unobligated funds for the regional transit center and construction of a bus facility in Livermore.

Innovative Funding – Social Service Contracts.

In some cases in the rural areas, with their sparse population concentrations and needs to travel long distances to access services in metropolitan areas, intercity services may be coordinated with human service agencies to allow their clients access to transportation services. This opportunity may allow for a more consistent customer base, depending on the need served, and would allow human service agencies to contract for such services and provide another source of revenue for the operator. Contract revenue from human service agencies could be used as revenue or match.

Job Access Reverse Commute (JARC) Funding—Section 5316

As noted above, commuter services cannot be funded with S.5311(f), and FTA notes that such services may be a valid need, but should be funded with other programs. In addition to the basic S.5307 and S.5311 programs, the JARC program (Section 5316) is a potential funding source for commuter services. Under SAFETEA-LU, JARC funding has become a formula program, and local human service coordination plans must be developed to establish local needs and project evaluation criteria. This planning effort is currently underway in California, and it may well identify some longer-distance work trip needs that should be addressed outside the intercity bus program.

In Nevada, JARC funds have been used to fund their “PRIDE” service, from Reno to Carson City, between 1999-2003. When this funding expired, some of the services (mid-day) were cut, thus affecting the capacity to make meaningful connections. For example, the CREST Route, operated by Inyo/Mono Transit along the US 395 corridor between Bishop and Carson City, Nevada, originally terminated in Carson City. After PRIDE discontinued its mid-day service, the CREST service was extended to Reno (Airport) thus requesting additional funding through the S.5311(f) program for this purpose.

Federal Regulation of Interstate Carriers: The Federal Motor Carrier Safety Administration (FMCSA)

The other major federal policy framework affecting intercity bus service is the regulatory framework of the FMCSA. As noted above, the FMCSA is an agency of the U.S. DOT, and is one remnant of the regulatory authority formerly exercised by the Interstate Commerce Commission (ICC). FMCSA does not have any role in the economic regulation of the intercity bus industry, rather its focus is on ensuring that the firms providing service in interstate commerce⁸ are financially responsible (have the required levels of insurance), and operate within the federal safety requirements. Thus the FMCSA requirements are important to Caltrans in that intercity bus carriers in the state that offer interline service to interstate passengers must meet FMCSA requirements, with some limited exceptions. In addition, FMCSA policing of insurance and safety allows Caltrans in association with the California Department of Motor Vehicles and the California Highway Patrol to address these issues by requiring FMCSA registration and compliance, rather than having to do these things itself as part of its intercity bus program.

Applicability

In general, all commercial motor vehicle operators that transport passengers “for-hire” across state lines must register with the FMCSA. For-hire means that the operator receives compensation, even if it is not directly from passengers (for example, if Medicaid pays for the trip). This is true for non-profit agencies as well as for-profit firms. A commercial motor vehicle is a motor vehicle used in interstate commerce to transport passengers if it has a gross vehicle weight rating (or weight, or gross combination weight) in excess of 10,001 pounds, or is designed or used to carry more than eight passengers, including the driver, for compensation, or

⁸ “Interstate” commerce means for-hire services that cross state lines.

is designed or used to carry more than 15 passengers, including the driver, and is **not** used to transport passengers for compensation. There are exceptions for school bus service, operations entirely within a commercial zone, and taxicab service. There are specific definitions for commercial zones in the law, including listing of specific zones and a generic definition for other locations not specifically listed.

Application Requirements

The commercial vehicle operator transporting passengers for-hire in interstate service must apply for a license, filing a Form OP-1(P) (paper) or on-line, and an application fee. The applicant must present evidence of the proper insurance and designate a process agent (a representative who can receive court papers that might be served in any court proceeding against the carrier). Generally the operator must pay a fee to a process agent for these services. The required insurance levels are based on the seating capacity of the vehicle (the largest vehicle in the operator's fleet or the number of passengers, whichever is greater). The liability insurance coverage per occurrence is \$5 million for vehicles having capacity of 16 or more passengers, and \$1.5 million for 9 to 15 passenger vehicles. Once the operator has a license, they receive an MC (for motor carrier) number, and a USDOT number (which identifies the operator as falling under FMCSA safety requirements including vehicle inspection). The USDOT number and the name of the operator must be marked on the buses. There is no separate fee to obtain the USDOT number. Public entities performing for-hire services are exempt from the need to obtain a USDOT number, and from a number of other FMCSA safety requirements, but they must obtain operating authority (an MC number) if they are providing transportation that would otherwise be covered by these requirements.

Exceptions for Recipients of FTA Funding

Commercial vehicle operators that provide interstate service and receive funding under S.5311(f) (or S.5311, S.5307, or S.5310), or contract to provide service funded by these programs, do not have to meet the insurance requirements listed above, but must carry insurance at the highest levels required by any of the states in which they operate. Also, the application fee for the FMCSA license is waived—but the operator must still file and obtain an MC number and a USDOT number (unless a public entity). These exemptions and exceptions for FTA grantees and contractors receiving FTA funding are not widely known in the FMCSA system, and applicants may need to contact FMCSA offices directly and explain their status as recipients of FTA funding in order to receive the fee waiver and the alternative insurance requirements. It should be noted that operators receiving S.5311(f) funding who wish to interline with Greyhound Lines or be part of the NBTA interline ticketing system, will need to meet FMCSA levels of insurance which may be higher than the amount required of FTA subrecipients not providing interstate transportation.

FMCSA Safety Requirements

FMCSA is also responsible for safety regulations affecting commercial motor vehicles operated in interstate commerce. In addition to the requirements for the appropriate USDOT numbers and vehicle markings, FMCSA sets requirements for driver qualifications, driver

medical examinations, hours of service limits, records of duty status, vehicle safety inspections, and documentation of vehicle repair and maintenance. FMCSA regulations include the Commercial Driver's License (CDL) requirements for both interstate and intrastate commercial transportation (for operators of vehicles designed to transport 16 or more passengers). FMCSA regulations also include drug and alcohol testing, however, if the operator is receiving FTA funds, the FTA drug and alcohol and drug-free workplace requirements apply. In California, the CDL program, medical exams, vehicle safety and inspections, and vehicle licenses are enforced by the California Department of Motor Vehicles and California Highway Patrol, while intrastate fares are regulated by the California Public Utilities Commission.

STATE OF CALIFORNIA INTERCITY POLICY AND PROGRAMS

Review of California Statewide Policy Documents

The following documents outline transportation policies and strategies for the California transportation network, which includes all modes of transport. However, in light of the study objectives, the component of interest in these documents is the way in which they address intercity bus services and identify strategies for the maintenance and improvement of these services. Each document contains goals and policies that will impact the provision of intercity bus services. Below are brief descriptions of these policy documents with excerpts relevant to the provision of intercity bus services.

California Code: Government Code, Sections 14030-14053

These sections set forth the basic state authorizing legislation for the activities of the California Department of Transportation, including statements reflecting the state's policies and programs.

Role of Intercity Bus Transportation

Section 14035.55 deals specifically with intercity bus transportation:

- (a) The Legislature finds and declares all of the following:
 - (1) Intercity passenger bus service provided by intercity bus companies on a regular-route basis is the only public mass transportation service in the state to provide surface transportation without public subsidy.
 - (2) The long-term maintenance of private sector intercity passenger service is of vital importance to the state.
 - (3) Intercity bus companies serve many communities throughout California, providing a network of connection points without equal by any other mode of public or private transportation.

These statements regarding intercity bus transportation would seem to be an unambiguous recognition that the privately-provided, unsubsidized intercity bus services are an important part of the state's transportation system.

Intermodal Coordination

Section 14035.55 continues by addressing the goal of intermodal coordination, presenting a legislature goal that clearly supports the development of intermodal transportation options combining Amtrak and intercity bus service:

- (b) To the extent permitted by federal law, the department shall encourage Amtrak and motor carriers of passengers to do both of the following:
 - (1) Combine or package their respective services and facilities to the public as a means of improving services to the public.
 - (2) Coordinate schedules, routes, rates, reservations, and ticketing to provide for enhanced intermodal surface transportation.

Amtrak Feeder Buses

The California legislature then continues the intermodal theme by authorizing Caltrans to fund Amtrak to contract for intercity bus service over regular routes, subject to certain conditions:

- (c) Except as authorized under subdivisions (e) and (f) , the department may provide funding to Amtrak for the purpose of entering into a contact with a motor carrier of passengers for the intercity transportation of passengers by motor carrier over regular routes only if all of the following conditions are met:
 - (1) The motor carrier is not a public recipient of governmental assistance, as defined in Section 13902(b)(8)(A) of Title 49 of the United States Code, other than a recipient of funds under Section 5311(f) of that title and code. This paragraph does not apply if a local public motor carrier proposes to serve passengers only within its service area.
 - (2) Service is provided only for passengers on trips where the passengers have had prior movement by rail or will have subsequent movement by rail, evidenced by a combination rail and bus one-way or roundtrip ticket.
 - (3) Vehicles of the motor carrier, when used to transport passengers pursuant to paragraph (2), are used exclusively for that purpose.
 - (4) The motor carrier is registered with the United States Department of Transportation (DOT) and operates in compliance with the federal motor carrier safety regulations, and provides service that is accessible to persons with disabilities in compliance with applicable DOT regulations pertaining to Amtrak services, in accordance with the federal Americans with Disabilities Act of 1990 (Public Law 101-336).
- (d) The department shall incorporate the conditions specified in subdivision (c) into state-supported passenger rail feeder bus service agreements between Amtrak and motor carriers of passengers. The bus

service agreements shall also provide that a breach of those conditions shall be grounds for termination of the agreements.

- (e) Notwithstanding subdivisions © and (d), the department may provide funding to Amtrak for the purpose of entering into a contract with a motor carrier of passengers to transport Amtrak passengers on buses operated on a route, if the buses are operated by the motor carrier as part of a regularly scheduled, daily bus service that has been operating consecutively without an Amtrak contract for 12 months immediately prior to contracting with Amtrak.

These provisions are then followed by some specific exceptions relating to particular corridors. However, the general aspects of the Amtrak feeder bus program are apparent:

- California state funding to contract for bus services connecting to Amtrak.
- Contracted bus operators cannot be public transit providers.
- The vehicles operated under these contracts must be exclusive to that purpose.
- The funded services can only provide trips to passengers whose trip includes a rail segment, evidenced by a combined bus and rail ticket.
- The contracted services must meet U.S. DOT requirements, including the provisions of the Americans with Disabilities Act (ADA).
- Funding can be provided to Amtrak for funding passenger trips on non-exclusive scheduled daily bus services if those services have already been operated without Amtrak subsidies for a year.

Table 4-1 presents a summary of the Amtrak feeder bus program ridership and performance by route, as presented in the 2015-2016 *California State Rail Plan*. Although the data are several years old, it is clear that the overwhelming amount of net generated revenue (incremental revenue less bus operating expense) is on the Bakersfield to Los Angeles route, where the bus provides a linkage that is not available on the rail network. Consequently, a significant amount of the overall revenue on the *San Joaquin* trains using this route can be viewed as net generated revenue for the buses. The table shows a number of routes with negative net generated revenue—Caltrans rail program managers are charged with reviewing these routes to reduce the losses, or discontinuing them if they do not ultimately provide positive net generated revenue. Of note is that in 2004-5 total intercity rail ridership in California was 4,536,000,⁹ of which 641,789 were also Amtrak bus passengers, about 14 percent. The State of California provided about \$72.7 million in operating assistance for the overall rail program in that year, not including \$13.5 million in capital for heavy overhaul of equipment.

During the outreach portion of this study some comments were received regarding the potential benefits of eliminating the legislative requirement that Amtrak buses serve only combined rail-bus trips, which would allow the Amtrak buses to carry bus-only passenger trips. However, there are federal statutes that would prevent Amtrak funding of services allowing bus-only trips. The rationale dates to the founding of Amtrak as a federally-subsidized transportation provider, as private for-profit bus companies feared the creation of a subsidized bus competitor

⁹ California Department of Transportation, *California State Rail Plan 2005-6 to 2015-16*, p. 30.

able to expand services or set prices without regard to market requirements, potentially driving the privately-provided services out of business.

Table 4-1: AMTRAK CONNECTING BUS PERFORMANCE IN CALIFORNIA

Bus Route Number	Bus Route End Points	Note	Bus Passengers	One-Way Bus Trips	Passengers per Bus Trip	Net Generated Revenue	Net Generated Revenue Per Bus Passenger
1	Los Angeles-Bakersfield		236,860	18,290	13	\$5,497,381	\$23.21
3	Stockton-Redding		74,904	7,450	10.1	\$896,418	\$11.97
4	Los Angeles-Santa Barbara		11,344	766	14.8	\$208,982	\$18.42
6	Stockton-San Jose		20,727	4,746	4.4	(\$99,660)	(\$4.81)
7	Martinez-McKinleyville		39,341	7,329	5.4	\$164,179	\$4.17
9	Bakersfield-Las Vegas		13,634	1,461	9.3	(\$26,982)	(\$1.98)
10	Bakersfield-Santa Barbara		25,800	2,923	8.8	\$196,037	\$7.60
12	Bakersfield-Palmdale		11,346	1,460	7.8	(\$3,261)	(\$0.29)
17A	Santa Barbara-Paso Robles		25,748	2,239	11.5	\$350,057	\$13.60
17B	Paso Robles-San Francisco		16,587	733	22.6	\$711,423	\$42.89
18	Hanford-San Luis Obispo		14,771	1,462	10.1	\$53,786	\$3.64
19	Bakersfield-Indio		33,255	2,924	11.4	\$265,069	\$7.97
20A	Sacramento-Nevada City/Auburn	1	5,817	3,650	1.6	(\$46,460)	(\$7.99)
20B	Sacramento-Sparks		44,831	4,380	10.2	\$256,556	\$5.72
21A	San Jose-Monterey	2	2,570	496	5.2	(\$25,699)	(\$10.00)
21B	Oakland-San Jose		17,697	2,552	6.9	(\$51,956)	(\$2.94)
21C	San Jose-Santa Barbara		11,947	730	16.4	\$54,754	\$4.58
23	Sacramento-Carson City		16,472	2,190	7.5	(\$93,699)	(\$5.69)
34	Stockton-San Francisco Ferry		6,226	1,460	4.3	(\$109,399)	(\$17.57)
36	Oakland-San Luis Obispo	3	11,912	662	18.0	\$275,635	\$23.14
TOTALS			641,789	67,903		8,473,162	

- 1 Effective June 2005, Nevada City service discounted.
Auburn-Grass Valley service provided by Highway 49 Express (Gold Country Stage).
- 2 Effective June 2005, Route 21A was discontinued.
- 3 Effective November 2004, Route 36 service was inaugurated.

Source: 2005-06 - 2015-16 California State Rail Plan.

Section 5311(f) and Amtrak Feeder Buses

The overall California S.5311(f) program is presented in more detail in the next chapter, but it is addressed in this same authorizing legislation for the California Amtrak feeder bus program. Section 14035.55(c) (1), which is presented above, states that Caltrans can only fund an Amtrak feeder bus if the carrier is not a recipient of public funds, except in the case where the carrier is receiving S.5311(f) funding. Thus a S.5311(f) recipient could also be a contracted Amtrak feeder carrier under the California program. Section 14035.2 (b) states that “If federal rural transit funds are available to the department for intercity services, the department shall use those funds in support of appropriate intercity feeder bus services that are coordinated to meet intercity rail services at train stations and associated capital facilities.” While this would seem to mean that Caltrans should spend its S.5311(f) allocation to support the Amtrak intercity bus feeder services, the governing federal regulations state that the primary goal of the program is to provide services that have a meaningful connection to the national intercity bus network, and that “...services funded must make meaningful connections wherever feasible.”¹⁰ The FTA guidance further states that “Intercity bus does not include air, water, and rail service.”¹¹ In general, federal laws and regulations governing federal funding programs are controlling, so California could use S.5311(f) for a feeder bus that operated from a nonurbanized area to a train station only if that train station also was a station for services that are part of the national intercity bus network, and that the primary schedule coordination would need to be with the intercity bus services rather than the train. In any event, rural intercity feeder services linking rural areas with intermodal facilities serving both Amtrak and national intercity bus network services would seem to address the state’s goals for both rail and intercity bus services, to the degree that such stations exist.

California Transportation Plan (CTP) 2025 (2006)

The CTP is a blueprint for meeting the State’s future mobility needs. The CTP is a Long-Range Transportation Policy Plan that addresses the social, economic, and technological trends and demographic changes anticipated over the next 20 years and their potential impacts on travel behavior and the State’s transportation system. The CTP vision is one of a fully integrated, multimodal, sustainable transportation system that supports the three outcomes that define quality of life in California — prosperous economy, quality environment, and social equity.

The plan contains several strategies that address transportation issues in the non-urbanized regions of the State that will impact intercity bus services. Although the non-urbanized areas of the state contain less population, this does not necessarily correlate with an existence of less need for transportation services. In effect, there are similar needs of accessibility and mobility; albeit in a less dense and larger geographic area. As noted in the CTP, with only eight percent of the State population, the rural areas also comprise 94 percent of the land area. Considering this context and the objectives of this study, the impacts on intercity bus service are addressed.

¹⁰ Federal Transit Administration, Nonurbanized Area Formula Program Guidance and Grant Application Instructions, Circular FTA C 9040.1F, April 1, 2007, p. VIII-5.

¹¹ Ibid.

The goal, policy, and strategies that support the provision of intercity bus services incorporate and address mobility and accessibility concerns. The provision of intercity services should allow for connectivity and increased accessibility to other transportation services. The first goal of this plan identifies the state's need to enhance intercity service:

Goal 1: Improve Mobility and Accessibility - Expanding the system and enhancing modal choices and connectivity to meet the State's future transportation demands. This goal addresses transportation issues in non-urbanized areas by focusing on the opportunity to increase connectivity among existing services. The goal also addresses the possibility of connecting rural services with urban services that host a myriad of transportation services and modes. This includes the expansion and improvement of transit services; including intercity bus service connecting small urban and rural communities to passenger air service and the national passenger network.

CTP - Rural Issues

The CTP recognizes that with an overall growing population, the rural areas will also experience some growth. These areas contain approximately eight percent of California's population, but comprise 94 percent of the land area. Providing transportation services to a low density and widely distributed population presents unique transportation challenges that must be considered when planning for a balanced, reliable, and interconnected system. The CTP states that California's economy relies heavily on the rural and interregional road and rail system in order to move agricultural products, timber, and tourists.

The CTP identifies the importance of transit in the rural areas by noting that for some rural residents, transit service is the only means of transportation. Entities in the rural areas that provide transportation services are often faced with the challenge of providing transit and paratransit services to rural customers sparsely distributed over considerable distances. This setting significantly impacts the cost of operating transportation service. Specifically, the report identified that regional and intercity bus service can be difficult to provide due to low demand, farebox return requirements, and limited resources for operating and maintaining the system.

The CTP acknowledged that intercity bus transportation is an important component of California's overall surface transportation network, holding particular importance to smaller communities and rural areas. The report recognized that intercity bus provides a critical service for smaller communities in which air or passenger rail is not readily available, and, even when these options are available, intercity bus may be more affordable. Since the 1980s, national carriers have abandoned many of the rural intercity bus routes, severely reducing rural mobility.

California Transportation Investment System (CTIS)

The Caltrans website has dedicated a section to this database of geographic information. In December 1998, as a first step in initiating the update of the CTP, a need was identified; to integrate existing long-range plans of both Caltrans and regional transportation planning agencies by creating a Geographic Information System (GIS) tool that incorporates the existing and planned transportation system. This tool maps highway, local road, rail, and airport projects

and maintains project information in a database and is also geocoded. Bicycle, pedestrian, and planning projects are also included, but are not mapped. The tool is a customized ESRI ArcView project and is available for use by interested parties that have access to ArcView and have received permission from the Office of State Planning. In January 2001, the first official version (v1.1) of the CTIS GIS tool was released. The tool was posted in May 2001 to the Department's website and made available to external agencies for downloading.

The website mentions that, recently, several upgrades have been made to the CTIS, the most significant of which was the creation of a centralized web-based database to collect and store project data for subsequent migration to the GIS tool - the first of two complementary databases. This planned-project database significantly streamlines the data collection process, minimizes data entry errors, and allows for continuous updates. Work has begun on a second database to collect information on current programmed projects from the tool's other major data source, the Division of Programming's California Transportation Improvement Program System (CTIPS) database.

Eventually, Caltrans would like the CTIS utility to serve as a web-based tool that can be accessed from the Internet without the need for GIS software and training. Owners of the project data would have the ability to update the tool's attribute (or descriptive) data and spatial (location) data, and even "map" the project with a simple "point and click." The tool would be dynamically linked to other Department databases, such as CTIPS, allowing users to access the most current project information. The tool would spatially display all modes of projects, including bicycle, pedestrian, and transit projects that are currently only viewable in table format. Also, local roadway and rail projects, currently shown as a single point (at the main facility and cross street), would be displayed as a line for the full length of the project.

It is anticipated that the CTIS utility will allow for expedited fact finding processes that will reveal other transportation projects that may have merit with respects to the evaluation of intercity bus service in the State.

Interregional Transportation Strategic Plan (ITSP), 1998

Caltrans prepared the 1998 ITSP to consolidate and represent key elements of its ongoing long- and short-range planning. As such, it serves as a counterpart to the Regional Transportation Plans prepared by the 43 Regional Transportation Planning Agencies throughout California. In developing the 1998 Plan, Caltrans reviewed the status of projects included in the 1990 Plan. The ITSP emphasizes the two larger and more defined areas of responsibility for interregional transportation planning that are under Caltrans statutory responsibility -- the state highway system, with an emphasis on the Interregional Road System (IRRS), and intercity passenger rail.

The Vision of the ITSP clearly identifies the importance of the interregional movement of people and goods using the state highway system and also the importance of providing an alternative mode of transportation through intercity passenger rail supplemented by feeder bus services. However, the ITSP does not address the privately-provided intercity bus network as an alternative mode.

Routes were categorized according to current and projected demand and the existing condition of the major roadways. The routes identified as most critical were identified as “High Emphasis Routes”. The ITSP includes these High Emphasis Routes and are incorporated into both Caltrans system planning, for long-range highway improvements, and in most regional transportation plans and planning processes.

The High Emphasis category represents routes that have become of increasing interregional importance from a statewide perspective in the past several years. While the non-urbanized portions of the interstates continue, for the most part, to provide an adequate level of service now and projected for the nearer term, there are increasing examples statewide of recurrent congestion on key interstate goods movement corridors due to interregional travel conflict between recreational, goods movement, and other interregional trips.

A subset of the “High Emphasis Routes” category that supports near-term improvements is the “Focus Routes”, as identified in the ITSP. The Focus Routes represent ten corridors determined the highest priority for completion to minimum facility standards in the 20-year ITSP period.

The ITSP includes six primary objectives for directing interregional program funds to achieve statewide interregional goals, which are:

- Complete a Trunk System of Higher Standard Routes (usually expressway/freeway standards)
- Connect Urbanized Areas to the Trunk System
- Ensure Dependable Connectivity to Major Gateways and Intermodal Transfer Facilities
- Connect Urbanizing Centers to the Trunk System
- Link Rural and Smaller Urban Centers to the Trunk System
- Improve Intercity Passenger Rail

In light of the existing intercity bus service and subsequent evaluation of such service, it is evident that the objectives of the ITSP will have an impact on the identification and implementation of any improvements to the intercity bus service. A reliable and well-maintained roadway infrastructure will impact the capacity for agencies – public and private – to provide intercity bus services. Several of the Focus Routes, are listed below.

- United States (US)-101 (North-South) – all along the state.
- SR-99 (North-South) – from South of Bakersfield to the SR-99/70 Junction.

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- SR-14/395 (North-South) – two state routes comprise this corridor. SR-14 covers a corridor from southern California to the lower Sierras and US-395 continues north and meanders through Reno, NV and back into California and onto the Oregon State line.
 - SR-58 (East-West) – connects Interstate(I)-5 and SR-99 in the southern Central Valley with continuation onto SR-14 and I-40 heading east.
 - SR-198 (East-West) – connects I-5 and SR-99 in the Central Valley.
 - SR-1/46 (East-West) – connects US 101, I-5 and SR 99, providing access from the coast to the Central Valley.
 - SR-152/156 – connects US-101, I-5 and SR-99, providing access from South of the Bay Area and Monterrey to the Central Valley.
 - SR-20 – connects US-101, I-5, SR-99, SR-70, and I-80 in the northern section of the Central Valley.
 - SR-299 – connects rural and small urban centers across the northern region of the state and trucking to US-101.
 - SR-20/29/53/49 (East-West) – connects US-101 to I-80 in the northern region of the state.
 - SR-299/44/36 (East-West) – connects US-101, I-5, and onto US-395 via SR-36.

State Legislation – Senate Bill 45

With the enactment of SB45 in 1997, local entities, in cooperation with the Department [Caltrans], are provided the opportunity to identify and propose projects that address regional transportation needs. Each region of the state will produce a locally adopted regional transportation plan that includes transportation projects addressing regional transportation needs. These regional plans are then submitted to Caltrans and presented to the California Transportation Commission for review and adoption into the Interregional Improvement Program (IIP) and the STIP.

The bill also modified the allocation of funds in support of the statewide interregional transportation system. Once Caltrans has compiled the IIP and the STIP, and the California Transportation Commission has adopted it, then project monies are allocated accordingly. Elements of the IIP specific to this study are paragraph (2) and (3) of subdivision (a) of *Section 14526 of the Government Code* - paragraph (2) identifies the projects of the intercity passenger rail system and paragraph (3) identifies projects to improve the interregional movement of people, vehicles, and goods.

SB-45 allocates state transportation funds for two categories: interregional and regional transportation needs. The STIP - the policy document that is comprised of approved projects addressing the interregional and regional priorities – will have funds made available from all available transportation funds, State Highway Account, Public Transportation Account, and federal transportation funds, after deducting Caltrans’ annual administration costs, annual expenditures for the maintenance and operations of the state highway system, annual expenditures for the rehabilitation of the state highway system, annual expenditures for local assistance, and safety. Of these remaining funds, seventy-five percent are committed to the Regional Improvement Program and 25 percent to the IIP, as codified in *Section 164 of the Streets and Highways Code*.

The regional improvement program grants more responsibility to the local agencies in addressing transportation issues in their region. Regional improvements include public transit, intercity rail, local roads, intermodal facilities, transportation system management, and pedestrian and bicycle facilities. The interregional improvements are allocated for larger capital improvements – state highway, intercity passenger rail, mass transit guideway, or grade separation.

These fund allocations and the requirement for local and state participation in the development of regional plans and the STIP have certainly promoted the opportunity, and increased the responsibility for, local agencies to participate in this planning and programming process.

State Regulation - California Public Utilities Commission (CPUC)

While federal deregulation of passenger carriers under the Bus Regulatory Reform Act of 1982 pre-empted state regulation of fares, entry and exit for interstate services, and the ICC sunset legislation in 1989 expanded this pre-emption, California has assumed some control to fares, entry and exit for passenger carriers that are completely intrastate, other than taxi cabs, medical transportation, pupil transportation, and farm worker transportation. As part of the Passenger Stage Corporation (PSC) certificate application, the entity proposing an intercity service must demonstrate that, pursuant to Public Utilities Code 1031, the public convenience and necessity requirement will be met with the proposed operation. This requires a formal notice process in which city and county governmental entities, regional transportation planning agencies and public transit operators within whose boundaries passengers will be loaded or unloaded are contacted and kept abreast of the application process. If the territory already has a certificate holder, the CPUC would have to make a determination that the existing carrier is not providing service to the satisfaction of the CPUC. Also, the CPUC will not issue a certificate of public convenience and necessity if there is no participation in the CPUC substance and alcohol testing program as developed by the California Highway Department.

The applicant for a PSC certificate will also have to file evidence of liability insurance coverage on a CPUC prescribed form. The applicant must also participate in the Department of Motor Vehicles (DMV) Employer Pull-Notice System. For any vehicle seating more than ten (including the driver) must undergo a California Highway Patrol safety inspection.

The CPUC issues two types of for-hire passenger certificates: the PSC provides transportation service to the general public on an individual-fare basis; the charter-party carrier (TCP) charters a vehicle, on a prearranged basis, for the exclusive use of an individual or group. Rates are also regulated with the approved PSC operator required to file a tariff with the CPUC setting forth their passenger fares. Private non-profit transportation services need to register, provide certain driver qualifications, and provide evidence of insurance. The CPUC does not provide any operating assistance in the form of federal or state funds. However, the CPUC has allowed an exception for registering a passenger vehicle not operated by a public entity, if the vehicle satisfies all of the rules and regulations that the local operator must meet.

California Department of Motor Vehicles

The DMV administers the permitting process for the CDL and the motor carrier permit. There are several requirements for both documents. However, the CDL is a requirement of the Motor Carrier Permit (MCP) Application.

The DMV issues a CDL in accordance with Federal Regulations that permits an individual to operate a commercial vehicle. The individual must be at least 21 years old to drive a commercial vehicle across state lines (interstate commerce) or to transport passengers or hazardous materials or wastes (intrastate or interstate commerce). The individual may drive for hire (including school buses) intrastate if the individual is 18 years of age or older and does not engage in interstate commerce activities. In 2005, new federal regulations were adopted that require a person who is applying for a California CDL with an **original** or **renewal** Hazardous Materials (HazMat) endorsement to undergo a security threat assessment. The USA Patriot Act requires the Transportation Security Administration (TSA) to complete a security threat assessment (background records check) before the DMV issues a HazMat endorsement. In addition, the following requirements must be satisfied: pre-trip vehicle inspection, skills and driving test or submit to DMV a Certificate of Driving Skill if employer is authorized by DMV to issue such certificates, and a medical report form documenting that the medical examination was conducted within the last two years.

The MCP issued by the DMV's Motor Carrier Permit Branch is evidence of registration with the DMV of the individual's California Identification Number (CA#) and the permit verifies that the motor carrier has satisfied all of the statutory requirements to commercially operate motor vehicles on California's highways. There is only one point of contact for all matters related to participation or information concerning the MCP program and that is the MCP Branch located at DMV Headquarters, in Sacramento, California. The following are the requirements for the MCP: completed application, pay all required fees, proof of Workers' Compensation Insurance, enrollment in the Employer Pull-Notice Program, and obtain a CA# from the California Highway Patrol.

The enrollment in the Employer Pull Notice Program (EPN) is required if you employ drivers with a Commercial Class A, B or a Class C driver license with a HazMat endorsement. This will provide operators/employers with a requester code for quick access to an employee's driver license record. This keeps more current information of driver activity on file, allows for

quick access to the driver's record, and helps the employer identify if there are any specific safety measures that should be addressed.

California Highway Patrol (CHP)

The CHP has several responsibilities as pertain to the provision of intercity bus service in the state. The CHP conducts safety and permit inspections of vehicles used for intercity services – vehicle identification, hours of service, vehicle safety. The CHP also enforces the Controlled Substances and Alcohol Testing (CSAT) regulations of the Federal Motor Carrier Safety Administration as adopted by the CPUC.

The CHP requires the completion of the Motor Carrier Profile in order for the operator to obtain a California number. Certain types of carriers are not required to *display* their assigned California number if they are already displaying valid numbers assigned to them by other specified regulatory agencies. In order to cross reference the organization's other numbers to its California number, the CHP needs to know what the other numbers are. For example, **PSG:** A number assigned by the CPUC to intrastate for-hire passenger carriers (other than taxi services), which are preceded by the prefix "TCP" or "PSC," displayed on vehicles as "TCP 0000A" or "PSC 0000" (or both) with the zeros representing the number assigned to the carrier by the CPUC, and the "A" representing a CPUC-assigned alphabetic character indicating a specific type of passenger carrier.

The CHP also administers the Biennial Inspection of Terminal (BIT) program. Primarily, the intent is to ensure every truck terminal throughout the state is inspected by the CHP on a regular basis, thereby creating a level field for all motor carriers statewide. A terminal is any place where a vehicle described above is regularly garaged, maintained, operated, or dispatched from, including a dispatch office, cross-dock facility, maintenance shop, business, store, or even a private residence. For purposes of BIT inspections, "terminal" means the location or locations in California that are designated by a motor carrier, where vehicles subject to the BIT program may be inspected by the CHP and where vehicle maintenance records and drivers' records will be made available for inspection (Section 34515 Vehicle Code). A terminal inspection does *not* include inspection of any building or land, only vehicles and required records located there.

State of California Department of Transportation-Division of Mass Transportation (DMT)

The DMT is responsible for the administration of State and Federal Grant Programs that provide funding for operating assistance and capital improvement projects. DMT provides technical assistance to agencies responsible for public transportation services in their respective areas including buses; demand-responsive accessible services for the elderly and disabled; rural transit; commuter and urban rail services; and waterborne ferry operations. Within the DMT, the Rural Transit Procurement (RTP), administers and manages two federal grant programs: FTA S.5311, which promotes public transit in the non-urbanized areas of the state, and FTA S.5311(f) which promotes intercity transit in the non-urbanized areas of the state. The S.5311(f) program is the major focus of this study, and it is addressed in much more detail in the next chapter.

CONCLUSIONS

While this review of policy covers many topics, the meaning of the analysis can be reduced to some key observations. One is that there is essentially no federal or state regulatory control over the fares, routes, or services provided by private intercity bus operators. Federal regulation is limited to insurance requirements and safety (under the FMCSA), and ADA requirements. Furthermore, intercity bus service between urbanized areas cannot be funded with FTA programs. So, from the federal perspective the privately-provided intercity bus network is deregulated and unsubsidized, and carriers provide service in response to their perception of the market.

A second observation is that the FTA S.5311(f) program is the key tool available to states and localities to replace, provide or maintain intercity bus service in rural areas. This program has a primary goal of linking rural areas with the national network of intercity bus services.

A third observation is that the state of California accepts that a major state transportation responsibility is providing for inter-regional services by all modes, including both privately provided intercity bus services and the state's intercity rail passenger program.

Finally, it should be noted that the combination of federal safety and insurance regulation of interstate transportation, state regulations, private carrier policies, and FTA funding make rural intercity projects uniquely challenging to applicants and state program managers.