

Funding Transportation in Vermont

An Assessment of Applicable Funding Options

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EXECUTIVE SUMMARY

Due to the lack of cohesion amongst Vermont's local transportation systems, coordination is an endeavor that is currently being considered.. The current twenty-six transportation systems of Vermont have been able to operate themselves through various forms of localized and federal funding streams; but the need for a unified transportation system is essential for economic feasibility and better service for commuters throughout the state. In identifying the funding methods of successful transportation systems in Vermont and local states, an effective system that combines the unique funding qualities of similar programs can be applied. Through this method, Vermont can overlook the common fare revenue model that many states apply and see potential in other sources of funding including educational institutions, unique government grants and support, effective contracts, and generous contributions from individuals, other states and organizations.

Funding for Vermont's current public transportation services is extremely varied and lacks the cohesion of a state-implemented solution. Therefore, to serve as points of comparison for a potential statewide public transportation effort, several other resources were identified and analyzed.

- Systems identified were a fare free system, a contract based system and a typical fare system analyzed for comparison.
- Differences in Federal and State Funding allocation requirements and history

Also considered are the efforts that other states are making in consolidating their own public transportation systems.

- There are currently efforts in regions of multiple states attempting to coordinate public transportation on a regional level with the goal of reducing costs and eliminating or decreasing gaps in transit coverage
- The coordination between human services programs and other rural transit programs pools all the funding and resources from the different sources with the ultimate goal of providing better coverage and efficiency over the entire region

With the newly incorporated option to turn to regionalization and integrating with the school transportation system, along with the current financial opportunity of the stimulus bill, Vermont currently has the opportunity it needs to improve the transportation system effectively. All of this considered our policy recommendations for the state of Vermont are as follows:

- It may be worthwhile for Vermont to consider aggregating and coordinating the thirteen different transportation systems on a regional rather than county scale
- Along with federal and state aid, a solid list of contributors from educational institutions is a good option to fund a transportation system in Vermont as the state boasts 24 different colleges and numerous pre college educational institutions.

- Vermont has received \$126 million under the federal stimulus package titled American Recovery and Reinvestment Act. Therefore, it is reasonable to consider focusing on improving transportation systems within Vermont to make sure that more time is spent using the stimulus funds appropriately instead of finding loopholes within the allocation criteria.

INTRODUCTION

Like many other rural states, Vermont has a decentralized transportation system. According to the American Public Transportation Association, ¹Vermont has one to two local transit agencies for each of its fourteen supported counties totaling 26. Part of Vermont's fragmented transportation system is due to the state's population dispersion. As defined by the 2000 US Census, Vermont is the most rural state in the United States. Figure 1 shows the population density of Vermont from the 2000 United States Census.

While the various transportation systems of Vermont have been able to operate themselves through various forms of funding, appropriate options for a unified public transportation system for Vermont has not yet been found. Vermont has historically depended on local town leaders, financial contributors and government aid to fund small transportation programs for each of its fourteen counties. Yet the need for a unified system is not only essential for economic feasibility and better service for commuters, but to provide the state a unified system that can connect the counties together. By analyzing how current Vermont transportation systems and other states fund their transportation services, it is possible that the ideas from several programs can be combined to formulate a unified public transportation system in Vermont that is effective and economically feasible.

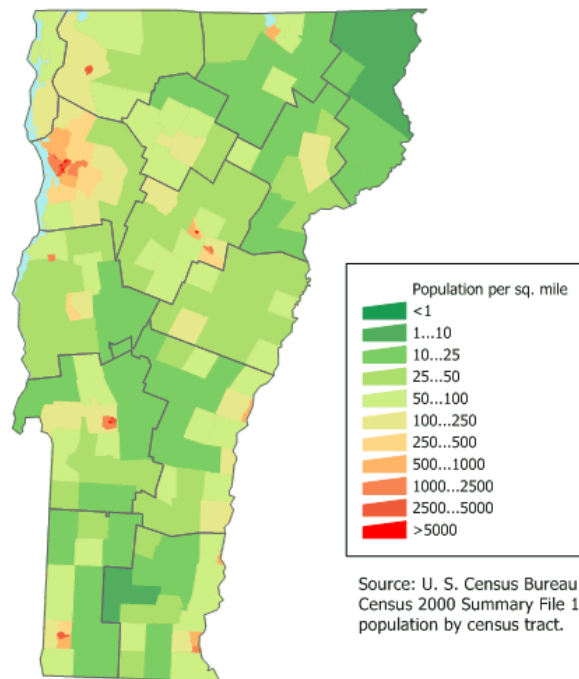


Figure 1. Population density of Vermont in 2000

I. Current Vermont Programs

The way Vermont funds its current 26 transportation systems depends on the local county. For the purposes of finding a feasible option for a unified public transit system, identifying each funding program is not necessary. A better approach is identifying the most significant programs that do not follow the common stereotypical forms of funding such as government funding. In doing so, a fare free system, a contract based system and the typical fare system are analyzed for comparison.

1.1 Advance Transit AT Transit (Fare Free System: Revenue Through Contribution and Government Support)

Advance Transit, which also operates in New Hampshire and Vermont is a prominent example of a transportation system that was able receive and allocate funding so well that it became fare free in 2002. The Advance Transit Program is funded by federal and state resources, private donors, and contributions from local towns, municipalities, Lebanon, Hanover, Dartmouth Hitchcock Medical Transit and Dartmouth College. “Currently half of the operating funds come from federal and state grant, including the Federal Transit Administration’s Section 5311 program”.² However, the AT does not solely depend on government related funds but also on the contributions of other individuals and organizations, particularly local institutions in a different state.

The success of a Fare Free funding program depends on the continued support of donors and contributors. And the continued support of donors and contributors depends on their satisfaction with the transportation system. In identifying the success of this funding program in comparison to programs that require fares for example, it has the benefit of being in an area where institutions need transportation for their constituents. Several transportation systems in Vermont do not have certain institutions in the area that can offer this lucrative asset.

In addition, this VT system has another vital funding asset; it is in connection to resources from another state: New Hampshire. Now of course the funding is not from the state, but more importantly from the constituents that reside within the state.

1.2. Addison County Transit (Limited Fare System: Revenue Through Contracts)

Under Addison County’s Fare system, local services are free and charges are only for ride extensions such as Rutland Connector and the Burlington link express. Due to this limited fare system, fares account for only one percent of revenue streams as of 2008. Federal grants contribute 36 percent and State grants contribute 10 percent. Yet according to Addison County Transit Resource’s 2008 report,³ their main source of funding is contract revenues which account for 41 percent of the budget revenue. This funding is almost greater than Federal and State support combined.

This highlights the ability for a program to operate effectively if the opportunity for local contracts is available. It is a guaranteed source of funding and satisfies the contractor.

1.3 Chittenden County Transportation Authority (Typical Fare System)

Chittenden County Transportation Authority (CCTA) is Vermont's largest and only public transportation authority. Unlike many other Vermont transportation systems, Chittenden County Transportation Authority requires fares for riders to travel. The fare prices range from \$1 to \$4 depending on the length of the ride and the age of the rider. With these prices, according to the CCTA main website, the "operating revenue (including passenger fares, Para transit, advertising, special services etc) is about 32 percent of the budget"⁴ Local subsidies are 22 percent, state dollars 14 percent and federal aid is 32 percent".⁵ Evidently, ride fares help contribute up to one third of the funding resources of this system. This is the typical example of a transportation system operating largely on fare revenues.

1.4 Funding Challenges of Vermont

While having several streams of funding contributors is always a positive element, not having the ability to coordinate and track funding causes Vermont transportation to spend more than necessary because budgets cannot be coordinated under this unconnected system. To have a visual understanding of how many systems are used in Vermont, the following figure highlights many local, state and federal transportation systems,

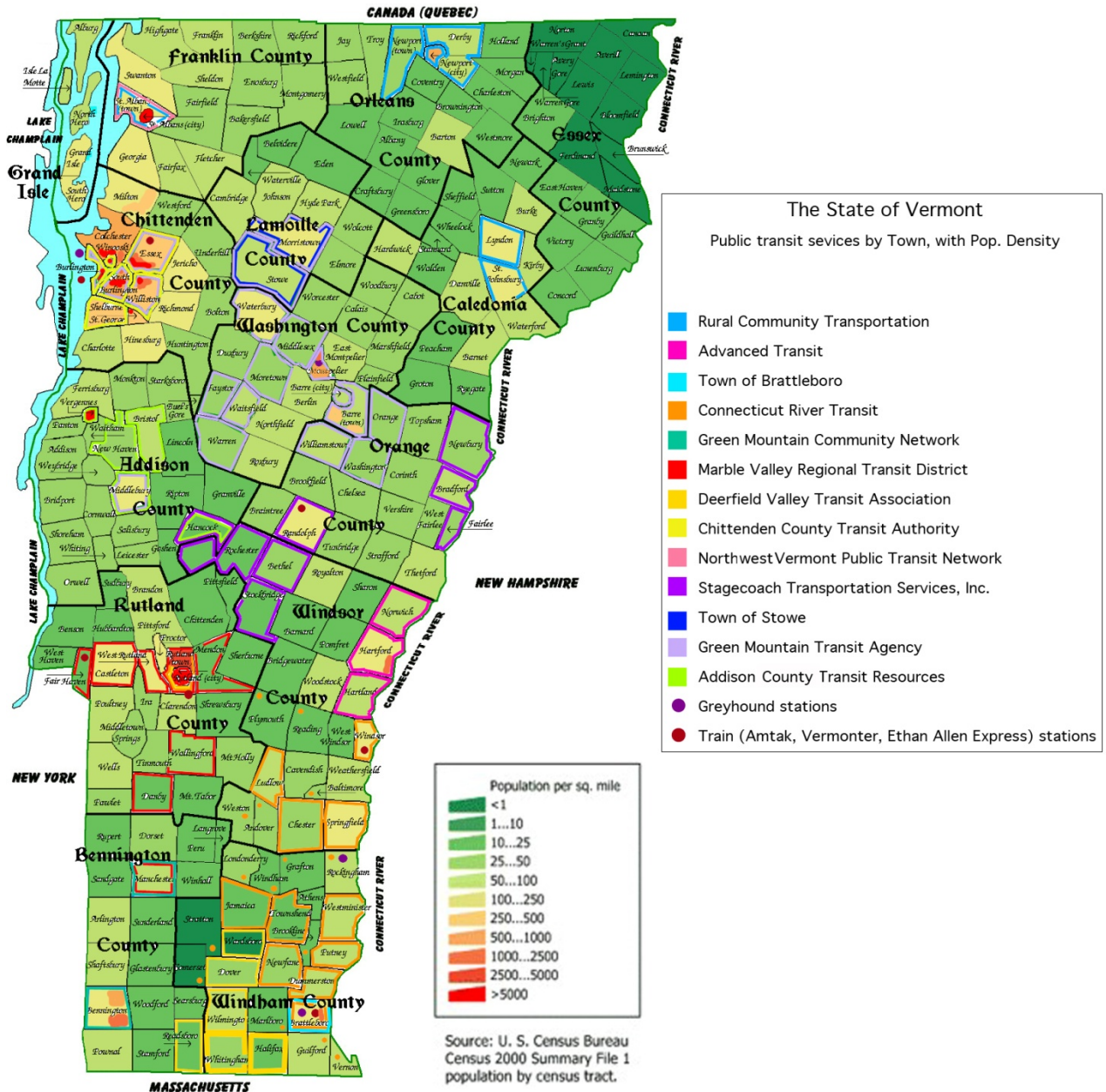


Figure 3. Public transit coverage in Vermont by town
(Source: graphic created by Alexandra Mahler-Haug)

Currently, according to reports from the Vermont Agency of Transportation, Vermont receives both Federal and State funding with supplemental support from local agencies to run its transportation system. “Vermont transit subsidies are allocated separately for operating and capital. Capital requests are considered on a case by case basis and awards are made based on the merit of the request. The majority of operating subsidies are allocated to local systems based on historical funding. Due to the categorical nature of

funding support from the federal government, funds are supplemented on the local level by communities through contract income”⁶(VAOT).

Aside from analyzing the funding streams of Vermont transportation, it is also important to look into the funding methods of transportation systems in Vermont and local states to create an effective system that combines the unique funding qualities of successive programs for Vermont.

II. CURRENT PROGRAMS IN OTHER STATES

The target states are those with the same rural like demeanor as Vermont and close in location. Other states such as highly urbanized cities are not applicable forms of comparison since the methods of funding and demographic culture are significantly different.

2.1 *Manchester Transit Authority (School funding contracts in Manchester, NH)*

Similar to Advance Transit’s opportunity to receive funding from a local institution, this program also benefits from a local school. The only difference is that this source of funding isn’t voluntarily; it is by contract so it is guaranteed funding. However, based on this example, only students within the range of the district were allowed to use the transportation system that the Manchester district supported. Thus the idea of school contracted funding sources for Vermont would be to use these school district transportation systems during the hours in which students are not using them (after school hours). Due to a social stigma, and concerns with contracting bus companies or unions, a partnership with school-district bus systems may be unpopular at first, but the benefits of a guaranteed funding source for Vermont Transportation as well as a system that can provide transportation in areas not covered by current transportation systems might be an opportunity worth the effort.

According to its website, The Manchester Transit Authority, “funding of school bus operation and capital needs is derived from the MTA’s competitively negotiated contract with the Manchester School District”.⁷

2.2 *Concord Area Transit (CAT) (Funding Due to Community Economic Demographics I Concord, NH)*

Many of the transportation systems receive funding on the basis of operational need and demand. However, Concord’s transportation system is one prime example of a funding resource based on the economic wealth and challenges of a county. According to a 2005 Concord Mayor and Council report, The Metropolitan Transportation Commission (MTC) initiated a Community Base Transportation Planning (CBTP) program in 2002. “The city of Concord was awarded \$60,000 under this program in 2005. The grant is used

to assist low income areas to identify barriers to mobility and to develop plans to overcome them”.⁸ This highlights sources of funding that can be attained due to the demographic and economic make up of a state.

2.3 Cooperative Alliance for Seacoast Transportation/ COAST (Funding Without State Assistance)

The Cooperative Alliance for Seacoast Transportation or COAST operates out of Dover, NH and serves the New Hampshire seacoast and Berwick, ME encompassing an area of 143 square miles and a population of 94,734.⁹ COAST offers both a bus service and demand response service. The bus service operates 11 vehicles while the demand response service operates only one. Therefore, COAST attains an overwhelming proportion of its profit from operation of the bus service than the demand response vehicle.¹⁰

With all transportation systems, the need for government financial support, both federal and state is always a factor. What is unique about the COAST system is that it has no state funding. According to 2003 National Transit Database report, “58 percent of the operating funds come from the federal government”¹¹ and other funds vary from local contributions to fare revenues. Yet the state of New Hampshire contributes zero percent to the operation of this transportation system. This explains why their federal aid is significantly higher in comparison to other local transportation systems.

In addition, COAST provides service in Stafford County, an urban area. As a result they receive additional federal funding for this demographic quality. According to a 2003 New Hampshire Dept of Transportation report, along with Manchester and Nashua, the “COAST system is one of New Hampshire’s three Urbanized Area Formula Grants Program Recipients from the Federal Transit Administration (FTA)”¹².

III. COMPARISON AND EVALUATIONS OF PROBABLE PROGRAMS FOR VERMONT

Even with the identification of six unique methods of funding, the task of formulating an effective funding method for a transportation system in Vermont is still a difficult endeavor. Yet the need for a unified system is crucial. According to the transportation Research Board of the National Academics, “uncoordinated transportation leads to economic inefficiencies and service problems”¹³. The question remains, which program or combination of programs will best fund a Vermont transportation system most effectively.

3.1. Connections between Services and Funding

Making connections and mapping correlations across transit systems in the Northern New England region will further the understanding of the options available to Vermont in creating a more accessible mass transportation system that will run throughout the state. The following graphs compare six mass transit bus systems: Chittenden County Transportation Authority (CCTA) in Burlington, VT; Western Maine Transportation Services Inc. (WMTS) in Auburn, ME; BAT Community Connector (BAT) in Bangor, ME; Nashua Transit System (NTS) in Nashua, NH; Cooperative Alliance for Seacoast Transportation (COAST) in Dover, NH; and Manchester Transit Authority (MTA) in Manchester, NH.

Across the six systems there is a great diversity in the source of funding each receives and its relation to the total amount of operating funds required. This variation is shown in Figure 4. Included at the bottom of the figure for easier comparison are the statistics for annual unlinked bus rides, population density, and the number of full time employees.

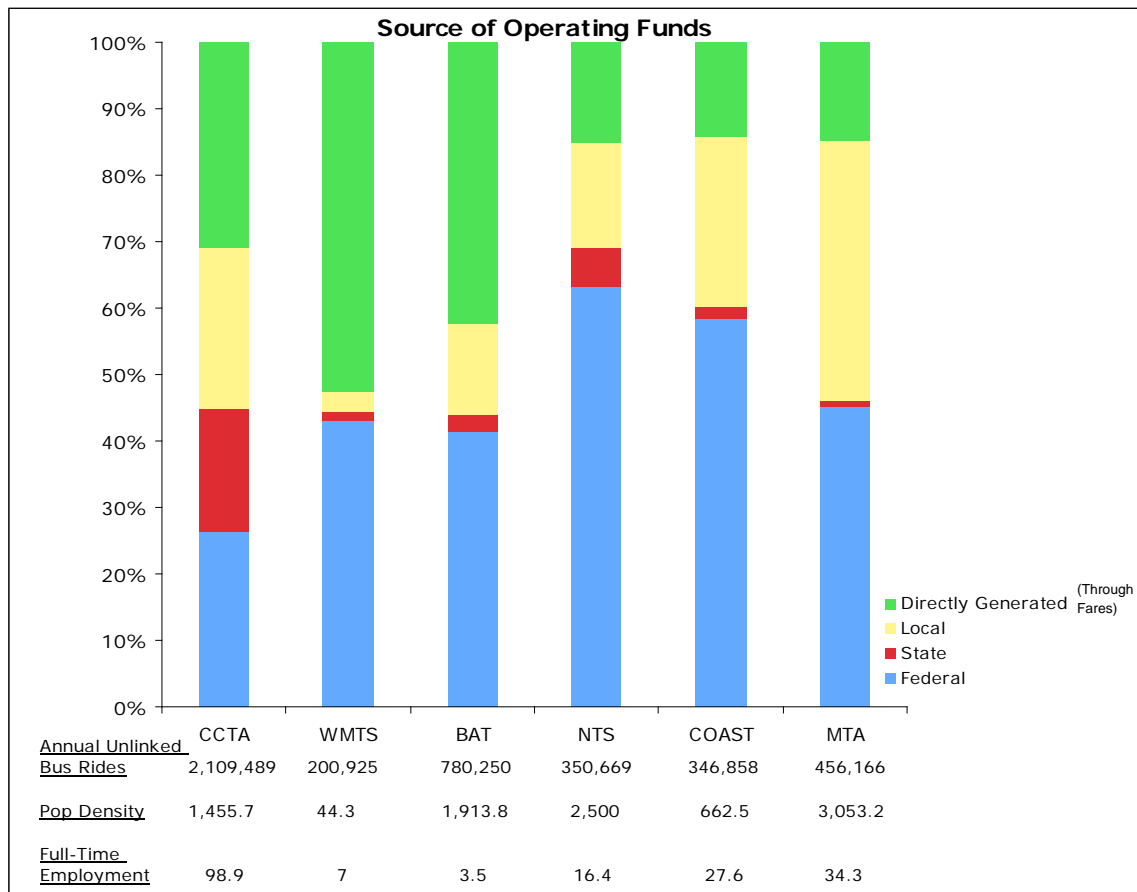


Figure 4. Source: the NTD Annual Database for 2007 located at <http://204.68.195.57/ntdprogram/data.htm>

CCTA receives comparatively the smallest proportion of their funds from federal coffers; however, the actual amount of federal funds it receives is greater than any other company. In addition, CCTA receives more state funds than any other company both

proportionally and in real terms. This shows that the state of Vermont has a significant interest in the service provided by CCTA and is willing to promote its success monetarily.

In addition, WMTS hosts the least amount of unlinked bus rides annually but derives most of its operating funds (proportionally more than any other company) from directly generated actions. The relatively low population density of the area WMTS serves could account for this variance in funding source. Because WMTS serves a small population it does not provide enough service to attract state or federal funding; therefore, the company's only choice is to charge its riders a fee for this specialized service that would not otherwise be available in an area of such low population density. If Vermont were to expand its public transit to include areas with comparable population density, directly generated funds through ride fares might become a necessity.

It seems that CCTA has reached its limit in terms of state and federally allotted funds and has been forced to dip into local and directly generated funds in order to obtain enough money to operate. This is probably due to the high volume of rides they provide. If services were to be expanded, the state and federal funds would most likely need to be increased to meet the new demand since generating funds directly can impact ridership and the accessibility of the service.

In today's economic world, job creation is a vital component in the social value of an industry. To attract federal and state investment in public transit in Vermont, it is important to take into account the quality and quantity of employment. To better analyze the employment contributions of various public transit organizations, full time positions were compared to both popularity of the service as shown by annual unlinked bus rides and population density. Part time employment is also included at a discounted value of half of full time employment.

3.2 The Use of Institutions for Funding

Two of the successful transportation systems identified had some type of monetary contract with a local educational system, Advance Transit and Manchester Transportation Authority. Along with federal and state aid, a solid list of contributors from educational institutions can be the best option to fund a transportation system in Vermont. The fact that students need transportation to get to school can provide an incentive for colleges, high schools or other educational institutions to be a consistent source of funding.

In a state like Vermont where there are over 24 different colleges and numerous pre college educational institutions, the funding from such a project would be substantial; perhaps greater than any other source of aid.

The obstacles such an initiative would face would include, securing funding pledges from participating schools, infusing this educational system of funding with the current twenty

six transportation systems, and overcoming any legislative or social opposition. These are just the obvious potential issues that a program of this kind will face. However, if Vermont can through rigorous efforts, surpass these obstacles, it will be left with a well funded transportation system.

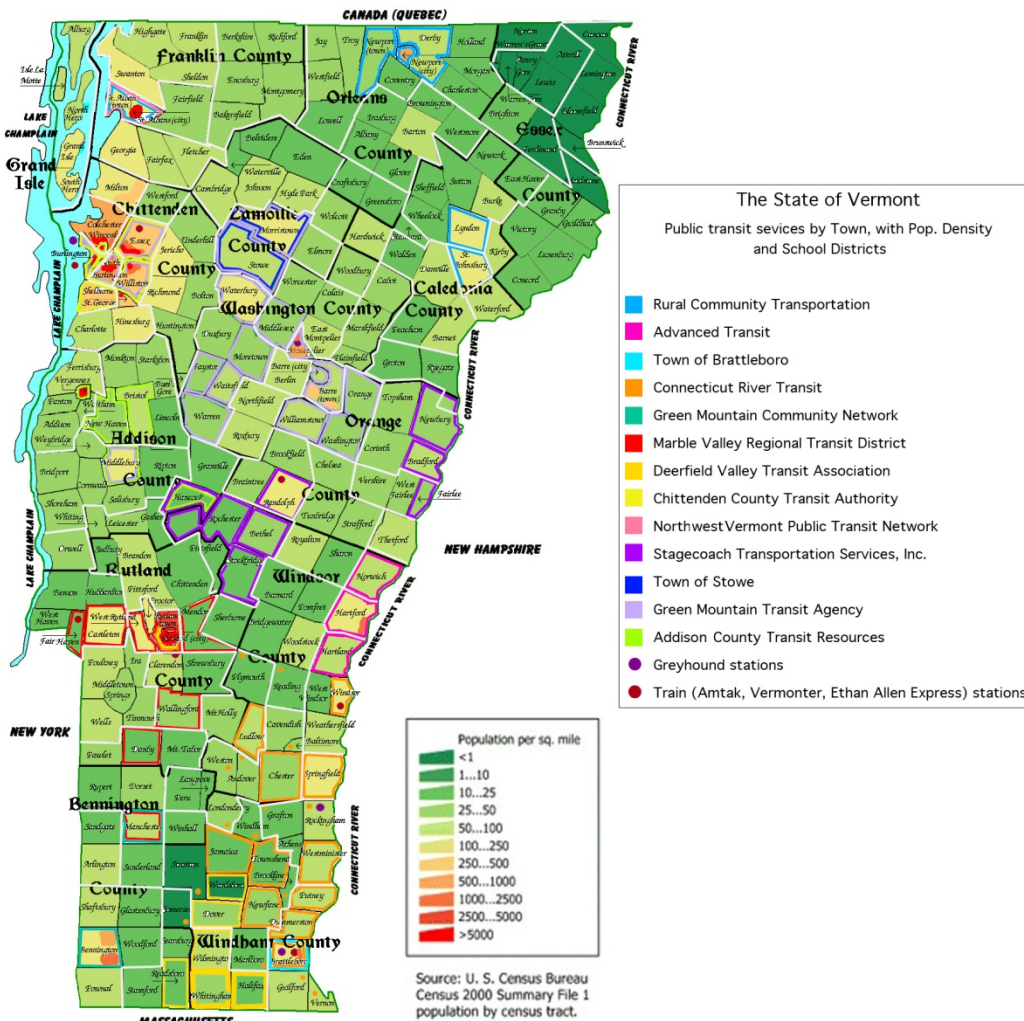


Figure 3. Public transit coverage in Vermont by town
(Source: graphic created by Alexandra Mahler-Haug)

If we look at the current school transportation routes and current Vermont transportation routes, the areas where services overlap should be evaluated for a school-district partnership. Combining routes and rearranging routes to fill in gaps where transportation

is not provided with school and Vermont transportation routes is a viable method of improving and connecting transportation routes. School buses (explain what this partnership might actually do (use school buses for public transport out of school hours?) and also the issue of accessibility that someone brought up in the presentation)

3.3 The Use of Demographics; An Advantage for Funding

It is already apparent that rural states such as Vermont with premature (?) transportation programs are given many state and federal grants for funding. However, the opportunity to receive funding purely based unique components such as the demographic make-up and setting of the state is really advantageous.

Concord Area Transit (CAT) was awarded a lucrative grant due to the socio-economic quality of the area and Cooperative Alliance for Seacoast Transportation/ COAST was given a supportive amount of federal funding due to the area's urbanized make-up.

The use of programs like these depends on the demographics of Vermont. Of course if citizens of the state are well to do individuals, a grant such as the one awarded to the Concord Area Transit is not applicable. The point here however, is not these particular programs but the open minded understanding of using state demographics and qualities to receive additional sources of funding.

3.4 Funding Without the State

Non state funding is perhaps a very uncommon alternative in most transportation systems. Usually all states have a concrete budget for transportation services specifically. Yet Cooperative Alliance for Seacoast Transportation/ COAST is a prominent example of a transportation system that does not use state aid.

If this became an issue for Vermont, where state funding was inaccessible, using the strategic methods of the COAST, Vermont would have to exhaust other sources of funding, but with precaution. The COAST system used several sources for their operational budget and used unique sources of funding (such as the federal grant based on their urban setting) to offset potential deficiencies.

3.5 2009 Federal Stimulus Package

According to the 2009 federal stimulus package, under the American Recovery and Reinvestment Act, Vermont has received \$126 million dollars to fund transportation and redevelopment projects for the state. According to recent reports from The Vermont Agency of Transportation, Vermont League of Cities and Towns, and Vermont's regional

planning commissions, the primary criteria for allocating these funds is based on eligibility and readiness. The funds from the stimulus package must meet the federal requirements that limits the use of stimulus funds for certain projects and that the funds must be spent in an expedited fashion according to the “use it or lose it” provision of the stimulus bill. According to the bill, “\$44 million of the funds must be obligated towards a project within 120days of receiving it or the state will lose up to 50 percent of the money and the opportunity to gain funds from other states’ recaptured funds”.

Within this time frame for using stimulus funds, the state of Vermont is focused on spending these funds predominately on infrastructure. Vermont has various areas of poor roads and weak bridges that need to be repaired to prevent harm to commuters. Currently, legislative work is discussing the allocation of \$86 million from the stimulus funds to fund over 31 essential infrastructure improvement projects.

Yet under the current economy, the stimulus funds can also be a funding opportunity for the improvement of Vermont transportation. While infrastructure is a primary concern, the overwhelming disregard to improving Vermont transportation needs to be re-visited.

The American Recovery and Reinvestment Act Transportation Eligibility clearly marks many strict restrictions and regulations to what projects can be funded, which provides great financial support for infrastructure related projects because they meet these regulations and promote the funds goal of employment opportunity. However, “the ability to flex stimulus bridge and highway funds towards public transportation” is allowed. Whether Vermont is willing to flex funds towards transportation is to be seen in upcoming months. To ensure that transportation improvement is considered amongst states, the American Recovery and Reinvestment Act “included funds specifically for public transit of \$5.6 million. It is important to note that this fund is separated from the \$126 million amount that Vermont received under the stimulus fund. The American Recovery and Reinvestment Act also has consistently placed transportation improvement as a top priority for state improvement. “With such a strong commitment in other parts of the Economy Recovery Act directed towards public transit, Vermont must assess how strong a priority it assigns to flexing highway and bridge money to public transit uses rather than deploying more funds to the considerable deficiencies that exists within its road and bridge network”(American Recovery Transportation Eligibility Report).

CONCLUSION

Vermont has the potential to have a very efficiently funded transportation system if there is an initiative to apply the qualities of successful transportation systems in Vermont and other local states. Vermont’s current twenty six transportation programs are not economically feasible or efficient and can improve significantly if a combined program that incorporates ideas from several of these programs be implemented. Aside from the common fare revenue system that may not be effective throughout Vermont (due to

several free transportation systems) other optional sources of funding for a unified transportation system in Vermont also includes educational institutions, unique government grants and support, effective contracts, and generous contributions from individuals, other states and organizations.

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