

**A Widening Gap:
Funding Needed Public Transit Services in the Upper Valley of NH/VT**

Executive Summary

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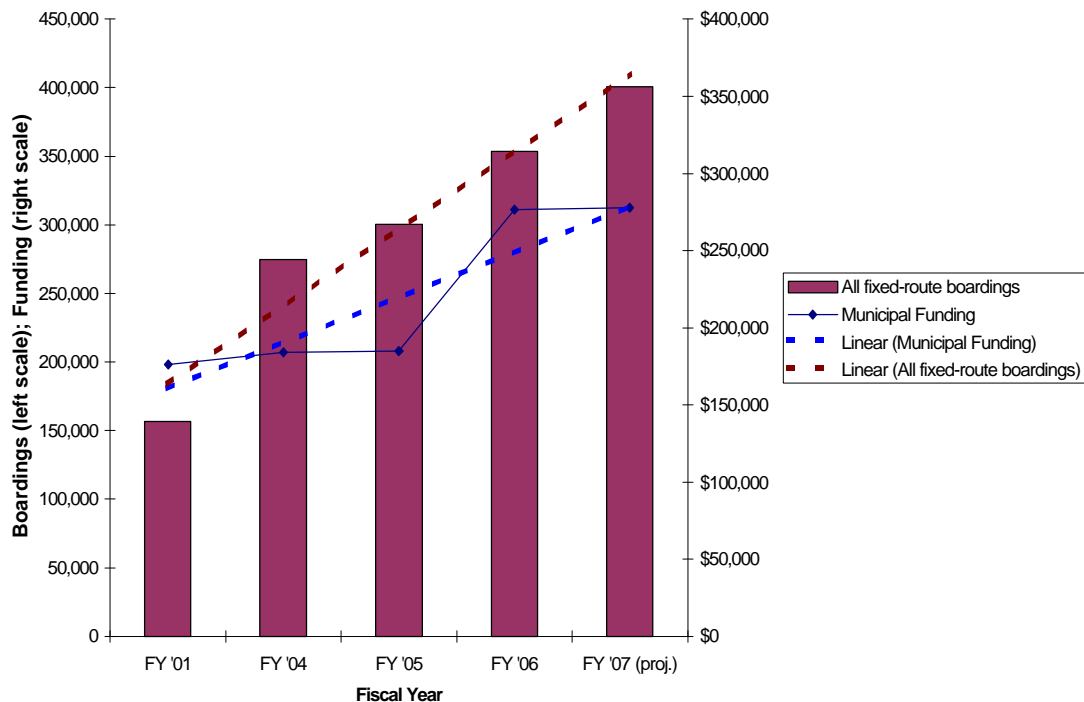
Executive Summary

Since 2004, there has been a marked acceleration in Upper Valley public transit utilization, as measured by ridership data.¹ This has followed a trend of smaller annual increases in ridership every year since 2001. The recent increases in ridership have been in excess of 10% annually and reflect, in part, a strong local economy coupled with an adaptation of travel habits (especially commuting habits) to higher gasoline prices. A portion of the ridership increase may also reflect an aging of the regional population, with increases in the number of people who no longer drive or choose to limit their driving.

Unfortunately, municipal contributions have not kept up with the public's need for transit services. **Figure 1**, below, plots the annual fixed-route boardings of Advance Transit for Fiscal Years 2001, 2004 through 2006, and 2007 (projected)² as solid bars (left scale). The solid line plots the financial contributions of the six municipalities served by AT (right scale). The broken lines represent trend-lines for boardings and municipal funding (see legend).

Figure 1

**Advance Transit Boardings and Municipal Contributions,
FY '01 and FY '04 thru '07 (proj.)**



During FY '01, when AT's annual boardings were only 156,800, municipal contributions were the equivalent of \$1.12 per boarding. By FY '04, with boardings steadily increasing and municipal funding almost stagnant, this figure eroded to 67 cents. One year later it was 62 cents. A crisis in 2005 caused by rapidly rising fuel and insurance expenses prompted municipal funding to respond significantly: to 78 cents per boarding. Near-level funding in FY '07, however, will reduce municipal support to 69 cents per boarding if ridership continues to grow at its recent pace. The diverging dashed trend lines clearly illustrate the problem.

¹ "Ridership" is more specifically referred to as "boardings", i.e., the number of persons who board a scheduled point-to-point bus or van service weekly, monthly or annually.

² The FY '07 boardings estimate was computed using the mean annual rate of increase for FY 2004 and FY 2005. AT's Fiscal Year runs from July to June.

In the Upper Valley -- as defined by the Hartford-Lebanon Labor Market Area (LMA) consisting of 35 towns -- transit bus travel demand has reached or exceeded capacity during popular morning and evening periods, and not just on Advance Transit. The three non-profit transit providers serving the Upper Valley have each responded by attempting to increase capacity. In fact, a Congestion Mitigation and Air Quality (CMAQ) grant awarded through the State of Vermont has just added an additional frequency to an existing route.³ However, lead times to secure funding for new vehicles can be two to four years. Operating funds are limited and must first be applied to maintain existing services. Proposed new services or capacity expansions must be supported by additional local matching funds. If local matching funds cannot be identified, state and federal funds cannot be used even if they are available. Difficulty securing local matching funds tends to be most acute in less affluent towns and counties that do not have large local employers. Funding and coordination issues are further complicated by the fact that a state political boundary bisects the Upper Valley.

With rare exceptions, local matching funds are required to secure and augment state and federal funding. Local funding has traditionally been derived from individual municipalities served by the carriers. This is a time-consuming and uncertain process because the municipalities are not compelled to allocate funds at all, and with some exceptions do not utilize a formula (or formulae) to link municipal funding to population or ridership.

Municipalities and individual states face many demands for their funds, including expensive programs such as highway construction and maintenance, health care/human services, law enforcement and environmental protection. At the same time, voters demand restraint on spending as they correctly perceive a direct link between spending and taxation -- especially income and property taxes. To the extent that funding of transit services is perceived to be discretionary, it is difficult to secure enough working capital from traditional sources to expand transit services, even when a demand for such services is clearly present.

We conclude that:

- Existing public transportation services in New Hampshire and Vermont are being threatened by inadequate funding;
- Good local and regional public transportation is very much in the public interest;
- Persistent increases in transit ridership (and demand for new services) highlight the need for local municipalities to provide funding commensurate with this growth while at the same time, these municipalities are under severe pressure to limit tax increases;
- Non-traditional sources of local funds should be more aggressively explored to supplement existing funding streams because of public resistance to tax increases;
- Efforts to increase local transit funding should be coupled with legislative action at the State and Federal level to increase funding of rural public transit; including
- An existing U.S. Census Bureau Micropolitan Region designation should be exploited to leverage new Federal funds to help support unmet mobility needs unique to such regions that, by definition, are centered on small cities of under 50,000 population.

Some of these potential non-traditional sources of funding include "user fees", employer participation (through incentives, direct financial support or both), tax-deductible donations and tax-increment financing (TIFs). In the longer term, political advocacy in support of greater allocation of gasoline tax revenue toward public transit is recommended, as well as other measures. The paper concludes with a detailed list of near-term and long-term recommendations.

³ The "River Route" via I-91 and US5 north of Hartford, VT operated by Stagecoach.