



To: House Committee on Transportation  
Senate Committee on Transportation

CC: Representative Patrick Brennan, House Committee on Appropriations Transportation Assignee  
Senator Jane Kitchel, Senate Committee on Appropriations Transportation Assignee

From: Clayton Clark, General Manager

Date: March 1, 2023

Regarding: Temporary Extension of Zero Fare to Improve Outcomes  
Long Term Support for Zero Fare for All Vermont

I will present today on two separate but related issues:

1. A temporary extension of zero fare for GMT urban operations that will allow for a well thought out and orderly return to fare collection that will minimize impact on riders and ridership levels. **This includes a request for a \$1M appropriation to extend zero fare until January 1, 2024.**
2. Information relevant to zero fare as a long-term practice in GMT's urban area.

## Temporary Extension of Zero Fare

*Why would a government organization spend \$650,000 to purchase equipment it might never use?*

GMT has been put in a catch 22 situation with the uncertainty over the continuation of zero fare. Consider:

- In 2022 the GMT Board of Commissioners passed a budget to reintroduce fares. In response, the Legislature appropriated \$1.2M to extend zero fare as part of the FY23 budget. This addition was not part of the Governor's budget or the budget the passed the House.
- In 2023 the GMT Board of Commissioners passed a budget to reintroduce fares. Shortly thereafter H.101 was introduced with 47 sponsors that would extend zero fare by providing another appropriation of up to \$1.2M. As with the previous year, this was not part of the

Governor's budget, and it is not yet clear whether it will be part of the budget that passes the House.

- Although not universal, there appears to be broad support from legislators, municipalities, and community organizations that zero fare should be available across all Vermont and not just rural Vermont.

Fareboxes provide no value to GMT or the riding public if zero fare is extended. It would be irresponsible for GMT to purchase equipment with taxpayer funds when it is not clear that that equipment is needed. It would be irresponsible for GMT to spend limited staff time managing procurements when it is not clear the procurements are necessary. The capital funds wasted on unnecessary fareboxes could instead pay for equipment that would benefit riders and the community.

### **Good Governance Takes Time**

Rushing to restart fares will result in:

- Inconsistent fare collection.
- No consideration of alternate fare collection systems, and the existing one we would proceed with is one of the most expensive for both capital and operating.
- Limited time to educate the public.
- Limited time to expand farebox functionality.
- No time to identify and implement processes to protect vulnerable communities.

All of these will undermine GMT's standing to the communities it serves, and this lack of confidence will result in decreased ridership by anyone except those who have no alternative.

Even if we were to be irresponsible and order fareboxes today, which isn't an option because we don't yet have access to the capital funds necessary, we would not be able to implement consistent fare service beginning July 1, 2023.

Purchasing fareboxes in a rush to restart fare service would commit GMT to an expensive technology solution that it would be stuck with for a decade. We are not considering lower cost alternatives that require less maintenance because we would not have the time to switch directions and evaluate other options.

*What does \$1M in fare replacement buy the State of Vermont?*

Providing \$1M in fare replacement allows GMT to extend zero fare to January 1, 2024. This will allow GMT:

- To not have to purchase fareboxes before there is clarity on an extension of zero fare.
- To access the capital funds necessary from FTA to purchase the fareboxes with little or no additional state funding.
- To order and install fareboxes across all urban buses to ensure consistent service and the most payment options.
- To go through the process of identifying vulnerable groups that should continue to receive reduced or zero fares, as well as implement a system in place to verify and administer.
- To properly educate the public about how to use our service when fares are collected.

## **Other Zero Fare Considerations**

### **Ridership Impacts Direct Federal Appropriation**

GMT is the only transit agency in Vermont that operates in an urban area, and thus we are the only to receive funds directly from the Federal Transit Administration (FTA). Ridership does factor into that appropriation. Our Federal Fiscal Year 2023 direct apportionment is \$4,348,526.

FTA uses Small Transit Intensive City (STIC) factors to augment apportionments, essentially rewarding agencies that perform well against the public transit average for similarly sized operations. There are 6 STIC factors, and for this fiscal year each one comes with an additional \$550,406 in funding.

GMT received 4 STIC factors this year, putting GMT in the top 12% of the 319 transit agencies our size. These performance based awards generate \$2.2M in additional federal revenue, more than half our direct apportionment. We were also close to earning the 2 STIC factors not awarded.

A reduction in ridership would decrease our STIC factor competitiveness. Losing these factors would potentially erase the benefit of some or all of the funds earned through fares. Since the factors are awarded by how well agencies perform against the average, there is not a threshold that we know we must keep ridership above to secure these additional awards. There is a small chance we could even reintroduce fares and have a net loss in revenue if we lose all STIC factors.

Looking out our current performance and how we rate on each factor, I believe that if GMT loses 340,000 annual rides as predicted by the VTrans study that there is a high probability we will lose 1 STIC factor. We will also no longer be competitive for the 2 STIC factors that we presently haven't

achieved but are close to. This would wipe out over a quarter of the financial benefit of collecting fares. As you will see from the next section, between this loss and increased operating expenses GMT would lose nearly half the benefit it hopes to gain by reintroducing fares.

On the other hand, if ridership continues to increase, we could potentially earn all 6 STIC factors and an additional \$1.1M, bringing in more than half the fare revenue with \$0 capital expenditures or operating costs.

### **Operating Expenditures to Return to Fare Collection - \$333K/year**

Earlier in the session VTrans presented a study on the impact of ending zero-fares. Included in that was an estimate that returning to fare collection would cost GMT \$36,000/year. This estimate was made prior to my arrival, and I believe there was a misunderstanding on GMT's part on what was being asked. The \$36,000 represented recurring expenses like armored car service for transporting cash and supplies to support cash handling.

A more accurate estimate of annual operating costs for fares is \$333K. To return to fare collection, GMT will need to do the following:

- Fill a vacant finance position that is not needed when we don't have to manage tens of thousands of fare purchase transactions (\$101K/year)
- Devote 1 Journeyman Mechanic to farebox maintenance (\$91K/year), at a time when we sometimes miss routes because of lack of mechanic capacity to repair buses.
- 832 hours of salaried staff time counting money instead of managing (\$40K/year).
- \$65K/year for farebox software licenses.
- The \$36K previously estimated.

This does not include the additional time spent by customer service staff at transit centers or the delays in route service as drivers respond in real time to payment issues.