



# Non-Federal Match Study

Presentation to House & Senate Transportation Committees

January 17, 2024

## **Study Advisory Committee**

- Jim Moulton, Tri-Valley Transit and Chair of VPTA
- Elaine Haytko, VPTA
- Ross MacDonald, VTrans
- Clayton Clark, Green Mountain Transit
- Randy Schoonmaker, Southeast Vermont Transit
- Ted Brady, Vermont League of Cities and Towns
- Josh Hanford, Vermont League of Cities and Towns
- Chris Campany, Windham Regional Commission
- Ashley Manning, Advance Transit
- Jamie Feehan, Primmer Piper Eggleston & Cramer PC

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## Context and Purpose

- Sources for local funding for transit have been studied for more than 25 years, especially in Chittenden County
- Most recent studies
  - 2015 Legislative Study on local funding for transit (part of Act 40 study)
  - 2021 Transit Financing Study led by the Chittenden County RPC
- Section 15 of Act 62 (2023) called for
  - “a written recommendation on one or more funding sources for the nonfederal match required of public transit providers operating in the statewide transit system.”

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# Urgency for Action

- Crisis has been building for some time
  - Costs have been rising faster than federal support
  - Sharp increase in labor costs has exacerbated the gap
- Federal COVID relief funds pushed off the day of reckoning, but these funds are now being exhausted
- Needs are growing
  - Aging in Place
  - Opioid epidemic
  - Other health care access
  - Climate change
  - Employment access
- Transit is often “assumed” to be in place to address all of these societal burdens

# Fiscal Forecast

- Key assumptions

- No significant expansion of operations
- State funding will not decrease from \$9.85 million in SFY 25 budget
- Flexing of federal highway funds will not decrease from \$23.5 million in SFY 25 budget

Statewide Fiscal Line Item	FY25	FY26	FY27
Federal and State Operating Funds	\$46,080,081	\$46,091,962	\$46,417,790
Operating Expense Net of Local Funds	\$46,434,640	\$48,832,279	\$50,110,829
Capital Expense from Formula Funds	\$1,907,618	\$0	\$0
Reserved ARPA/Urban Formula Funds	\$2,262,177	\$1,463,658	\$0
<b>NET DEFICIT</b>	\$0	(\$1,276,659)	(\$3,693,039)

- Key conclusions

- Reserved COVID relief funds fill gap for FY25 and some of gap for FY26
- No formula funds will be available for capital after FY25
- ***Without new revenue, services will need to be cut in FY26 and thereafter***

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# Needs for Additional Revenue

- Mobility for All service for all rural areas
  - Folds in other existing demand response programs (O&D, Medicaid, RJA)
  - Expands transit access to all Vermonters
- Reinvigoration of urban service
  - Enhancements in key corridors
  - Systemwide microtransit (subsumes ADA paratransit service)
  - Enhanced safety and security
- Capital investment
  - Lack of timely capital investment increases operating costs and future capital costs as well as degrading service quality and discouraging ridership
  - Fleet electrification is a state goal but is expensive for both vehicles and infrastructure
  - Aggressive pursuit of competitive federal grants needs to be matched with more state and local funds

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# Potential New Funding Sources

- Fourteen sources examined
  - Eight related to transportation
  - Six related to other sectors
- Evaluation process
  - To facilitate comparison, set rates/fees so that \$3 million would be generated
  - Rated all of the options based on
    - Equity
    - Stability
    - Administrative cost
    - Administrative burden (ease of implementation)
    - Acceptability
    - Connection to public transit
  - Considered both weighted and unweighted scores

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## Recommended Sources

- Vehicle Registration Fee
  - Add \$5 to existing \$91 (average) fee
  - Consider transition to *ad valorem* fee
- Retail Delivery Fee
  - Follow CO and MN in adding fee to deliveries, recognizing damage to roads
  - Initial fee of 40 cents per transaction of \$100 or more that includes items subject to sales tax
- Rental Car Tax
  - Increase tax by 1.5%
  - Impacts on non-residents and revenue in Chittenden County
- Utility Fee
  - Recognize growing share of electricity as motor vehicle fuel
  - Small fee to start: monthly fee of 40 cents per residential and \$2 per commercial customer

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## Goal for 2024 Session

- Set policy for expanded revenues
  - Transit agencies will be setting FY26 budgets in October 2024
  - Time needed to conduct research and studies for efficient revenue design
- Consider relationship between transit and roadway funding
  - Sustainability of T-Fund an ongoing concern
  - Potential for incentive program within State Aid for Town Highways program