



Funding Alternatives

INTRODUCTION

Successful transit systems are strategic about funding and attempt to develop funding bases that enable them to operate reliably and efficiently within a set of clear goals and objectives according to both long-range and short-range plans. Potential strategies for funding transit services in Eagle County are described below.

CAPITAL FUNDING

The expanded service recommended in this report will require capital funding for bus fleet procurement, facility construction, and for bus stops and shelters. The following strategies for funding capital development should be considered.

- Federal funding (along with any state matching funds) should be maximized, both within the existing Federal Transit Administration (FTA) Sections 5310 and 5311 programs and through pursuit of discretionary grants from the FTA channels and direct Congressional earmarked funding. Small transit systems often underachieve their potential for federal grant assistance because they assume they cannot compete in that arena. Close coordination with the Colorado Department of Transportation and the Colorado Transit Coalition will help ECO Transit be aware of funding opportunities and compete for funding.
- In general, the best use of federal discretionary grant funding is for capital needs since this is a highly speculative source of money that requires extensive political effort at a level that is feasible only as a one-time or occasional undertaking. ECO Transit has a distinct advantage in that they already have a dedicated source of funding through the Eagle County sales tax.
- Planning for capital facilities should take into account long-range system development needs. Many transit systems outgrow their facilities quickly and face costly relocation and expansion needs because of inadequate space or other constraints. This is particularly important for areas with rapid growth such as Eagle County.
- The transit financial management system should include specific provisions for fleet replacement and other capital investments. A sinking fund for capital replacement should be established, and some amount of money from local

funding sources should be set aside annually based upon a recapitalization plan. Note that buses and certain other capital facilities purchased with federal participation (80 percent under SAFETEA-LU) are also eligible for federal participation for replacement costs once the buses and facilities reach maturity (as defined in the FTA rules).

OPERATIONS AND MAINTENANCE FUNDING

Over time, the primary financial requirement of a local or regional transit system will be funding the routine operations and maintenance—including daily transit service, vehicle maintenance, and system administration. Labor normally represents about 75 percent of the costs for running a transit system, with the majority of that amount going to drivers' salaries. The following strategies for funding operations and maintenance should be considered.

- ECO Transit realized early on that reliance on general fund appropriations from local governments should be avoided. It is common for local and regional transit agencies in many states, including Colorado, to be dependent upon the annual appropriations from their constituent towns, cities, and counties. As a practical matter, such appropriations mean that it will not be possible to forecast future funding levels given the exigencies of local government funding. A transit agency that relies upon such appropriations will be unable to undertake capital planning and will continually face potential service cutbacks. This, in turn, makes it difficult or impossible for the transit agency to enter into partnership arrangements with other agencies or private entities. Transit agencies, like highway agencies, require that most or all of their operations and maintenance funding come from dedicated sources so that they can undertake responsible planning and offer reliable, consistent service. ECO Transit should investigate the possibility of expanding their dedicated tax base by either having Eagle County increase its sales tax or obtaining commitments from the various communities to increase their sales tax rate and dedicate that increase to ECO Transit.
- ECO Transit should continue to collect fares as part of the transit system funding, even though this is not an ideal source of revenue. Due to the realities of a transportation system's cost and financing structure, it is generally not possible to recoup more than 10 to 20 percent of operations and maintenance costs from the farebox revenues within rural areas. Fare collection itself incurs costs for farebox maintenance, cash management, and auditing. Fare collection slows down vehicle boarding and increases the operating costs by increasing the time required to run each route. Finally, fare collection can deter ridership. Having said this, last year ECO Transit collected an estimated \$1,869,430 in fares which represented approximately 26 percent of total revenue collected, which would be a substantial amount of revenue to replace.

- Operations and maintenance funding mechanisms should be designed to anticipate transit system growth. Successful rural and small urban transit systems around the United States are experiencing annual growth in ridership. It is important to be able to respond to such growth by increasing the service levels to meet the demand. This means that the ideal funding sources for operations and maintenance are those that have the flexibility to be increased or expanded as demand grows. Such flexibility will, in most cases, require voter approval. The important consideration is that the need for growth has been anticipated and the potential for larger budgets is not precluded by the choice of a source of funding.

OVERALL SERVICE CONSIDERATIONS

There are also a few overarching considerations in developing a coherent transit system funding strategy, including:

- Issues of funding and service equity are of paramount importance in designing a strategy for future funding. Informal systems based upon annual appropriations, as well as systems without specific accounting for the distribution of costs and benefits, struggle with the local elected bodies to find acceptable allocations of cost responsibility. This can become a significant barrier to transit system growth.
- The strongest regional transit systems are those that make extensive use of partnerships. Examples include partnerships with private companies, national parks, other major public facilities, and adjacent jurisdictions. Partnership arrangements enable a transit system to broaden its base of beneficiaries, expand its funding source alternatives, achieve better governance, and improve public support.

POTENTIAL LOCAL AND REGIONAL FUNDING SOURCES

In Colorado, home-rule cities and towns have the power to fund transit according to a state statute. The principal funding sources for local and regional transit systems in Colorado are described below.

General Fund Appropriations

Counties and municipalities may appropriate funds for transit operations, maintenance, and capital needs. Money to be appropriated generally comes from local property taxes and sales taxes. Competition for such funding is high and local governments generally do not have the capacity to undertake major new annual funding responsibilities for transit.

SB1 Strategic Transit Program

SB1 funding is administered by the Colorado Department of Transportation. The State's Senate Bill 1 program provides funding for strategic transportation projects. There is a legislative requirement that "at least 10 percent of such strategic transportation project revenues shall be expended for transit purposes or for transit-related capital improvements." The Senate Bill 1 program originally projected to have \$71,000,000 available for strategic transit projects for the years 2009-2012. Unfortunately, that amount is now projected to be only \$17,000,000. However, since ski resorts play such an important role in the economic health of Colorado, developing facilities and purchasing transit equipment to enhance the ski resort industry should hold strategic value and enhance ECO Transit's chances of receiving these funds.

Voluntary Assessments

The voluntary assessments alternative requires each participating governmental entity and private business to contribute to the funding of the transit system on a year-to-year basis. This alternative is common with transit agencies that provide regional service rather than service limited to a single jurisdiction. The main advantage of voluntary assessment funding is that it does not require voter approval. However, the funding is not steady and may be discontinued at any time.

Private Support

Financial support from private industries could assist in providing transportation improvements in the ECO Transit service area. ECO Transit staff should make a priority of finding private firms who may be willing to help support the cost of alternative fuel vehicles or the operating costs for employee transportation.

Transportation Impact Fees

Traditional methods of funding the transportation improvements required by new development raises questions of equity. Sales taxes and property taxes are applied to both existing residents and new residents attracted by the development. However, existing residents then inadvertently pay for the public services required by the new residents. As a means of correcting this inequity, many communities

nationwide (faced with strong growth pressures) have implemented development impact fee programs that place a fee upon new developments equal to the costs imposed on the community.

Previous work by LSC indicates that the levy of impact fees on real estate development has become a commonplace tool in many regions to ensure that the costs associated with a development do not fall entirely upon the existing residents. Impact fees have been used primarily for highways and roadways, followed by water and sewer projects. A program specifically for mass transit has been established in San Francisco.

A number of administrative and long-term considerations must be addressed:

- It is necessary to legally ensure that the use on which the fees are computed would not change in the future to a new use with a high impact by placing a note restricting the use on the face of the plat recorded in public records.
- The fee program should be reviewed annually.
- The validity of the program and its acceptability to the community are increased if a time limit is placed on the spending of collected funds.
- TIF funds need to be strictly segregated from other funds.
- The imposition of a TIF program could constrain capital funding sources developed in the future, as a new source may result in a double payment.
- TIF fees should be collected at the time that a building permit is issued.

Hotel Bed Tax

The appropriate use of lodging taxes (occupancy taxes) has long been the subject of debate. Historically, the bulk of lodging taxes are used for marketing and promotion efforts for conferences and general tourism. In other areas, such as resorts, the lodging tax is an important element of the local transit funding formula. A lodging tax can be considered a specialized sales tax placed only upon lodging bills. As such, it shares many of the advantages and disadvantages of a sales tax. Taxation of this type has been used successfully in Park City, Utah; Sun Valley, Idaho; Telluride, Colorado; and Durango, Colorado. A lodging tax creates inequities between different classes of visitors as it is only paid by overnight visitors. The day visitors (particularly prevalent in the summer) and condo-

minium/second home owners, who may use the transit system as much as the lodging guests, do not contribute to this transit funding source.

Dedicated Sales Tax

This funding comes from a general vote which allows the local government to increase either real estate or sales taxes, and the revenue collected from this tax increase is dedicated solely to public transportation. At this time, ECO Transit receives dedicated funding from sales taxes collected in Eagle County. One alternative to generating additional revenue to meet the needs of expanding service would be to ask communities within Eagle County to dedicate a sales tax increase to help support the regional system.



Sales tax is the financial base for many transit services in the western United States. One advantage is that sales tax revenues are relatively stable and can be forecast with a high degree of confidence. In addition, sales tax can be collected efficiently and allows the community to generate revenue from visitors in the area.

Regional Transportation Authority

Colorado House Bill 97-1273 created the “Rural Transportation Authority Law” in 1997. This law enables any combination of local governments to create, by contract, an Authority that is authorized to exercise the functions conferred by the provisions of the law. In essence, a Rural Transportation Authority (RTA) can develop and operate a transit system, construct and maintain roadways within its service area, and petition the citizens within the RTA boundary to tax themselves for the purpose of funding the RTA and the services the RTA provides.

An RTA is an excellent institutional and funding mechanism for developing a regional transit system. However, it takes time to organize and must have support from all the towns and cities that are within the RTA’s service area.

ECO Transit has established itself as an efficient and effective provider of regional transit service. It may be time for ECO Transit to become an RTA. With becoming an RTA, ECO Transit could potentially receive dedicated funding not only from

Eagle County, but from communities which it currently serves. This transition was accomplished by the Roaring Fork Transportation Authority in neighboring Pitkin County.

FEDERAL TRANSIT FUNDING SOURCES

Through the SAFETEA-LU, the federal government has substantially increased the transit funding levels for small urban and rural areas. In addition, changes in program requirements have provided increased flexibility regarding the use of federal funds. Following are discussions of the federal transit funding programs available for which ECO Transit is eligible.



FTA Section 5309 - Capital Improvement Grants

The FTA Section 5309 program (capital improvement grants) is split into three categories—new starts, fixed guideway modernization, and transit vehicles and facilities. These funds were formerly apportioned directly by the FTA. For several years, however, Congress has earmarked these funds directly. There is no indication that this trend toward earmarking the funds will change. Realizing that most systems in Colorado are small systems that do not have the political clout to obtain these revenues, a coalition of Colorado transit systems was organized that prepares the 5309 grant, then solicits the support for this grant from the Colorado legislators in the US Senate and House of Representatives.

The Colorado Transit Coalition consists of over 25 organizations that seek an earmark of Section 5309 funds. To become a part of this coalition, a transit system must pay annual dues and is not eligible for 5309 funds until it has been a member of the coalition for one year.

FTA Section 5310 - Capital for Elderly and Disabled Transportation

FTA funds are also potentially available through the Section 5310 program, which provides capital for elderly and disabled transportation. These funds are primarily for vehicles.

FTA Section 5311 - Public Transportation for Rural Areas

FTA funding for rural areas is currently provided through the Section 5311 program. A 20 percent local match is required for capital expenditures, and a 50 percent local match is required for operating expenditures. These funds are segmented into “apportioned” and “discretionary” programs. Most of the funds are apportioned directly to rural counties based upon population levels. This program has historically been the source of FTA funds for many rural areas within Colorado. This program is administered by the Colorado Department of Transportation which receives grant requests from the rural transit systems in the state.

FTA Section 5312 - Research, Development, Demonstration, and Training Projects

The FTA Section 5312 program provides funding for research, development, demonstration, and training projects. The Secretary of Transportation may provide grants or contracts that will help reduce urban transportation needs, improve mass transportation service, or help mass transportation service meet the total urban transportation needs at a minimum cost. The Secretary of Transportation may also provide grants to nonprofit institutions of higher learning to conduct research and investigation into the theoretical or practical problems of urban transportation and to train individuals to conduct further research or obtain employment in an organization that plans, builds, operates, or manages an urban transportation system. The grants may be provided to state and local governmental authorities for projects that will use innovative techniques and methods in managing and providing mass transportation.

FTA Section 5317 - New Freedom Program

The New Freedom program is designed to provide public transportation services to disabled individuals beyond what is required by the Americans with Disabilities Act of 1990. For example, Section 5317 will provide funding needed to change curb-to-curb ADA service to door-through-door service, which is much more expensive to operate.

FTA Section 5319 - Bicycle Facilities

The FTA Section 5319 program provides funds for improved bicycle access to mass transportation facilities or for bicycle shelters and parking facilities in or around

mass transportation facilities. The FTA Section 5319 program provides funding for 90 percent of the project cost, with some exceptions. The installation of equipment for transporting bicycles on mass transportation vehicles is a capital project that is eligible for assistance under the FTA Sections 5309 and 5311 programs.

Job Access and Reverse Commute Program

The Job Access and Reverse Commute (JARC) program—funded through SAFETEA-LU—has an emphasis on using funds to provide transportation within rural areas that currently have little or no transit service. The list of eligible applicants includes states, metropolitan planning organizations, counties, and public transit agencies, among others. A 50 percent non-Department of Transportation match is required, but other federal funds may be used as part of the match. FTA gives a high priority to applications that address the transportation needs of areas that are unserved or underserved by public transportation.

Transportation and Community System Preservation Program

The transportation and community system preservation program is funded by the Federal Highway Administration to provide discretionary grants for developing strategic transportation plans for local governments and communities. The goal of the program is to promote livable neighborhoods. Grant funds may be used to improve the safety and efficiency of the transportation system; reduce adverse environmental impacts caused by transportation; and encourage economic development through access to jobs, services, and centers of trade.

Other Federal Funds

A wide variety of other federal funding programs provide support for transportation programs. These potential funding sources include:

- Surface Transportation Program (STP)
- Older Americans Act
- Department of Commerce, Economic Development Administration
- Supportive Housing for Persons with Disabilities
- Supportive Housing Program
- Office of Public Housing, Public Housing Drug Elimination Program
- Resident Opportunities and Self-Sufficiency Program

Funding Alternatives

- Department of Justice Weed and Seed Program
- Senior Community Service Employment Program
- Workforce Investment Pilot and Demonstration Programs
- Workforce Investment Act Programs
- Veterans' Employment and Training Service, Homeless Veterans' Reintegration Project
- Department of Education, Federal TRIO Programs
- Vocational Rehabilitation Grants
- Centers for Independent Living
- Temporary Assistance for Needy Families
- Head Start
- Developmental Disabilities Basic Support and Advocacy Grants
- Social Services Block Grants
- Community Health Centers
- Rural Health Outreach and Research
- Medicaid
- Corporation For National Service, National Senior Service Corps

FUNDING SUMMARY

Experience with transit systems across the nation underscores the critical importance of dependable (preferably dedicated) sources of funding if the long-term viability of transit service is to be assured. Transit agencies that are dependent upon annual appropriations and informal agreements have suffered from reduced ridership (because passengers are not sure if service will be provided from one year to the next), high driver turnover (contributing to low morale and a resulting high accident rate), and inhibited investment in both vehicles and facilities. Such transit agencies include those in Teton County, Wyoming and Prowers County (SEATS), Colorado.

The advantages of financial stability indicate that a mix of revenue sources is prudent. The availability of multiple revenue sources helps to avoid large swings in available funds which can lead to detrimental reductions in service. As the benefits of transit service extend over more than one segment of the community,

dependence upon more than one revenue source helps to ensure that costs and benefits are equitably allocated.

Federal funds are limited, although the current trend is a small annual increase. A strong local transit funding source is needed to allow the many plans and proposals for transportation improvements to reach implementation with an assurance of ongoing operating funding. Though all of the options regarding local funding have drawbacks and restrictions, it is clear that a hybrid of these alternatives will be necessary if the short-term and long-range goals of ECO Transit and the community are to be met.