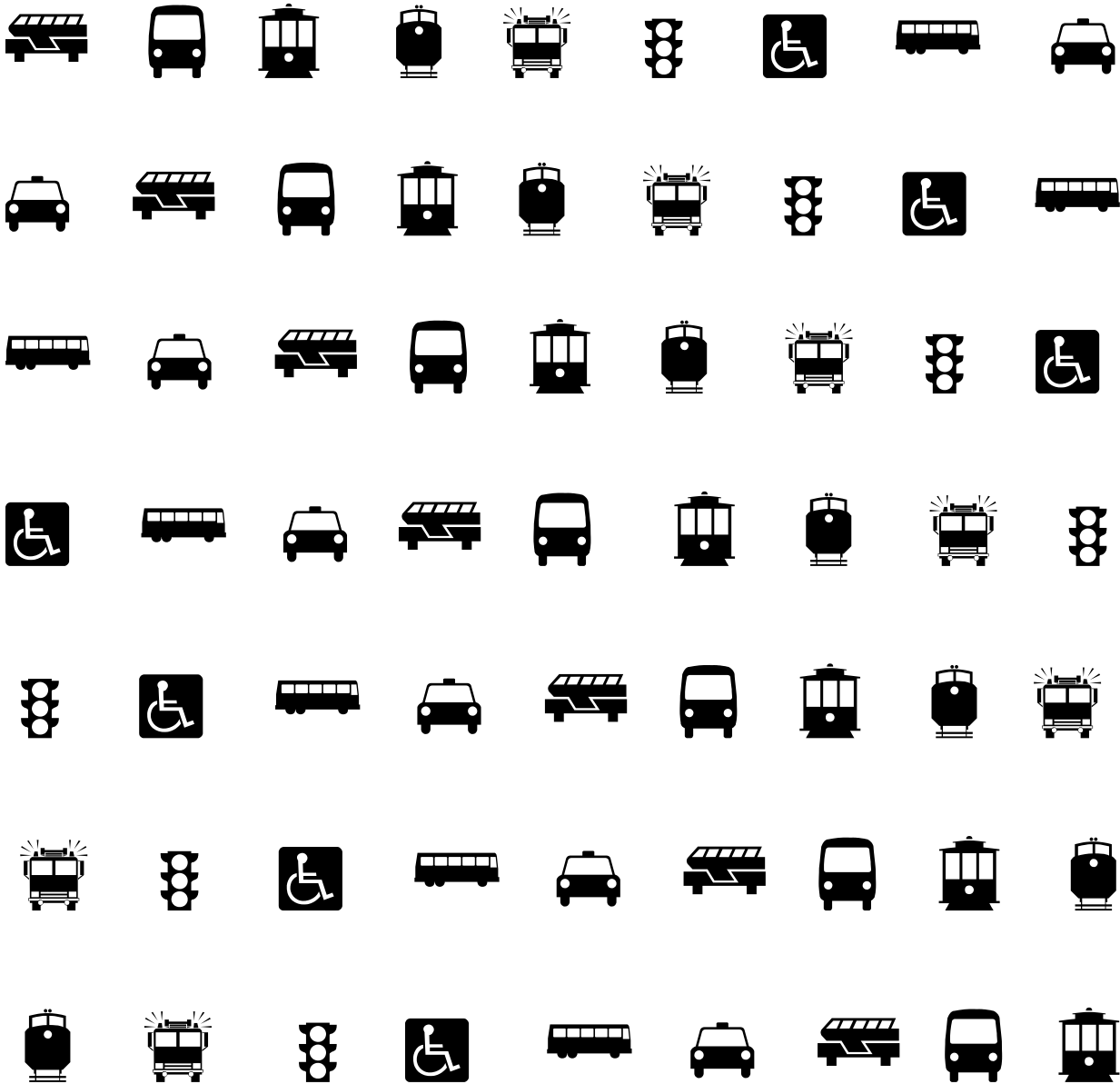




Chapter VI Funding



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VI. FUNDING

A. ALTERNATIVE FUNDING MECHANISMS

The implementation plan proposes a number of different improvements to transit service in the NRPC region. The common factor among all the proposed improvements is that they cost money that is not currently budgeted. Clearly, the most important component of the implementation of any new transit service is funding. The following section describes alternative funding mechanisms for the new services identified in the implementation plan.

Funding of transit services is complex. Nationwide, and in the NRPC, region fare box revenue only pays for about 25% of the total cost of operating the system. The remaining costs are covered in most cases by a combination of funds from the federal government and local governments. In addition, in some states contributions are made towards transit costs by the state government. Historically, the New Hampshire Legislature has been reluctant to contribute to funding transit services.

Currently, there are two main types of federal funding that can be used in the NRPC region to support transit service. These are called Section 5307 funds and Congestion Mitigation Air Quality funds. Job Access and Reverse Commute funds are competitive monies that may also be available for specific projects. The following describes the alternative funding mechanisms and the strengths and weaknesses of each.

1. Section 5307 Funds

Section 5307 funds are provided to the NRPC region from the federal government. As described in Chapter Three, the amount of funds provided to the NRPC region is based on the population of the Nashua Urbanized Area which includes not only Nashua and other communities in the NRPC region, but over 44,000 people in Londonderry, Derry and Windham. The biggest strength of Section 5307 funds is that within the constraints of the federal budget process, they are assured. These funds can be used to pay for capital (vehicles and buildings) with 80% of the cost charged to the federal funds and 20% paid from local sources. Currently the local match is paid by the City of Nashua, although that is not required. These funds can also be used to provide direct support for the operation of the transit system with 50% of the cost charged to the federal funds and 50% charged to local sources. Section 5307 funds are best suited to provide long term support for successful transit services with a strong market.

2. Congestion Mitigation Air Quality Funds (CMAQ)

Congestion Mitigation Air Quality (CMAQ) funds are monies that the federal government provides to states to pay for projects that decrease congestion and reduce air pollution from vehicular sources. New Hampshire does not receive a large amount of these funds, only \$7 million per year. This amount is dependent upon congressional appropriations and could change significantly in the reauthorization process. These funds must be spent in the air quality non-attainment areas within the state, like the Nashua area. One limitation of the CMAQ funding is that it is distributed by the NH DOT on a competitive grant basis, with funds awarded on the basis of applications that are submitted and reviewed by an appointed committee. As a result, CMAQ funds are not an assured funding source like the Section 5307 funds and it cannot be assumed that they will be available to fund a transit improvement. CMAQ funds can be spent for either operating support of transit services or for the purchase of



vehicles with 80% of the cost charged to federal funds and only 20% charged to local sources. Since CMAQ funds can be used for operating support of transit at the favorable 80% federal, 20% local match rate, they are often used to begin new services with a minimal commitment on the part of the municipalities. However, CMAQ funds can only be used to subsidize new transit services as “pilot projects” for three years. After that point, other funding sources must be identified to contribute towards the cost of the service. Due to this limitation, CMAQ funds are best used to begin a service and prove its viability at a relatively low level of risk to the municipality.

3. Job Access and Reverse Commute (JARC) Funds

It is also important to at least mention Job Access Reverse Commute (JARC) funds. These monies came from a special fund set up in TEA-21 to encourage metropolitan areas to provide transportation to work for low income households moving off welfare. These funds could pay for up to 80% of the purchase of transit vehicles or 50% of the operating support for new transit services that met certain criteria. The JARC funds were unique in that the match for the federal money could be paid with federal Temporary Aid to Needy Families funds. The JARC funds were difficult to access due to the fact that they were awarded on a competitive basis to applicants nationwide. Overall, most JARC projects nationwide failed, with few even reaching implementation and even fewer ever providing the service benefits to low income households that were promised.

Table 6-1 (p. VI-3) shows the costs to local governments to establish the new services proposed in the implementation plan using either Section 5307 funds or CMAQ funds. The table identifies the proposed project descriptions, the total project cost, the local cost using 5307 funds and the local cost using CMAQ funds. Both operating and capital costs are listed in the project description. Operating costs are the annual costs of providing the service and capital costs are a one time fee to purchase vehicles. Section 5307 funds provide a 50% federal match of the total operating cost and 80% of the capital cost. CMAQ funds provide an 80% match for both operating and capital, however these funds are only available during the first three years of establishing a new service. The following table provides a summary of proposed services and costs by town.

Due to the strengths and weaknesses of Section 5307 and CMAQ funds, transit systems and municipalities nationwide have typically used CMAQ funds to begin new services, or demonstration projects, and Section 5307 funds to maintain the services once they have shown that they are viable. In the NRPC region, using CMAQ funds for capital the first three years of operating support would be the lowest cost way for local governments to begin transit services. Once the service proved to be successful, the local government could make a decision regarding longer term funding commitments and providing the required match for Section 5307 funds.



Table 6-1: Summary of Local Costs and Funding Options for Proposed Services

Community	Service*	Total	Local Share 5307 Funding*	Local Share CMAQ Funding*	
Amherst	Deviated Fixed Route Shared **				
	Operating (Annually)	\$17,800	\$8,900	\$3,560	
	Capital	\$15,000	\$3,000	\$3,000	
Brookline	Deviated Fixed Route Shared **				
	Operating (Annually)	\$17,800	\$8,900	\$3,560	
	Capital	\$15,000	\$3,000	\$3,000	
Hollis	Deviated Fixed Route Shared **				
	Operating (Annually)	\$17,800	\$8,900	\$3,560	
	Capital	\$15,000	\$3,000	\$3,000	
Hudson	Deviated Fixed Route				
	Operating (Annually)	\$111,000	\$55,500	\$22,200	
	Capital	\$75,000	\$15,000	\$15,000	
	Commuter Service	\$66,000	\$33,000	\$13,200	
	Deviated Mid-Day Service	\$45,000	\$22,500	\$9,000	
	Fixed Route				
	Operating Monday - Saturday (Annually)	\$274,000	\$137,000	\$54,800	
	Capital - 1 Bus	\$300,000	\$60,000	\$60,000	
	Fixed Route 1.5 Buses				
	Operating Monday - Saturday (Annually)	\$353,000	\$176,500	\$70,600	
Merrimack	Deviated Fixed Route				
	Operating (Annually)	\$111,000	\$55,500	\$22,200	
	Capital	\$75,000	\$15,000	\$15,000	
	Commuter Service	\$66,000	\$33,000	\$13,200	
	Deviated Mid-Day Service	\$45,000	\$22,500	\$9,000	
	Fixed Route				
	Operating Monday - Saturday (Annually)	\$274,000	\$137,000	\$54,800	
	Capital - 1 Bus	\$300,000	\$60,000	\$60,000	
	Milford	Milford Deviated Fixed Route Service	\$118,000	\$59,000	\$23,600
		Milford Commuter Service	\$66,000	\$33,000	\$13,200
Deviated Mid-Day Service		\$52,000	\$26,000	\$10,400	
Milford Fixed Route Service		\$330,000	\$165,000	\$66,000	
Capital - Vans		\$112,500	\$22,500	\$22,500	
Capital - 1 Bus (Upgrade from Van)		\$300,000	\$60,000	\$60,000	
Deviated Fixed Route Shared **					
Operating (Annually)		\$17,800	\$8,900	\$3,560	
Capital		\$15,000	\$3,000	\$3,000	
Nashua		Decreased Headways - Operating	\$492,000	\$246,000	\$98,400
	Decreased Headways - Capital	\$1,200,000	\$240,000	\$240,000	
	Evening Service Monday-Saturday	\$248,200	\$124,100	\$49,640	
	Full Day Service 5:00 am - 11:30 pm Monday through Saturday	\$792,000	\$396,000	\$158,400	
	Daniel Webster Circulator				
	Operating (Annually)	\$115,000	\$57,500	\$23,000	
	Capital	\$350,000	\$70,000	\$70,000	
	Daniel Webster College- Nashua N. HS				
	Operating (Annually)	\$50,000	\$25,000	\$10,000	
	Capital	\$37,500	\$7,500	\$7,500	
Wilton	Deviated Fixed Route Shared **				
	Operating	\$17,800	\$8,900	\$3,560	
	Capital	\$15,000	\$3,000	\$3,000	

*5307 funding provides a federal funding contribution of 50% and requires a 50% local match. CMAQ funding provides a federal funding contribution of 80% and requires a 20% local match. CMAQ funding is limited to the first three years of service only. The dollar amounts listed in this table are based on current cost factors and have not been adjusted to account for future inflation.

**Shared - The estimated service costs are dependent upon participation from multiple communities and dividing the total cost amongst them.



B. CHANGES IN THE NASHUA URBANIZED AREA

A key issue that will affect the future of transit service in the NRPC region is changes that took place in the definition of the Urbanized Area after the 2000 Census. This may lead to additional changes with significant impacts following the 2010 Census. This is due to the fact that funding for transit systems is distributed to the states based on the population of the urbanized areas.

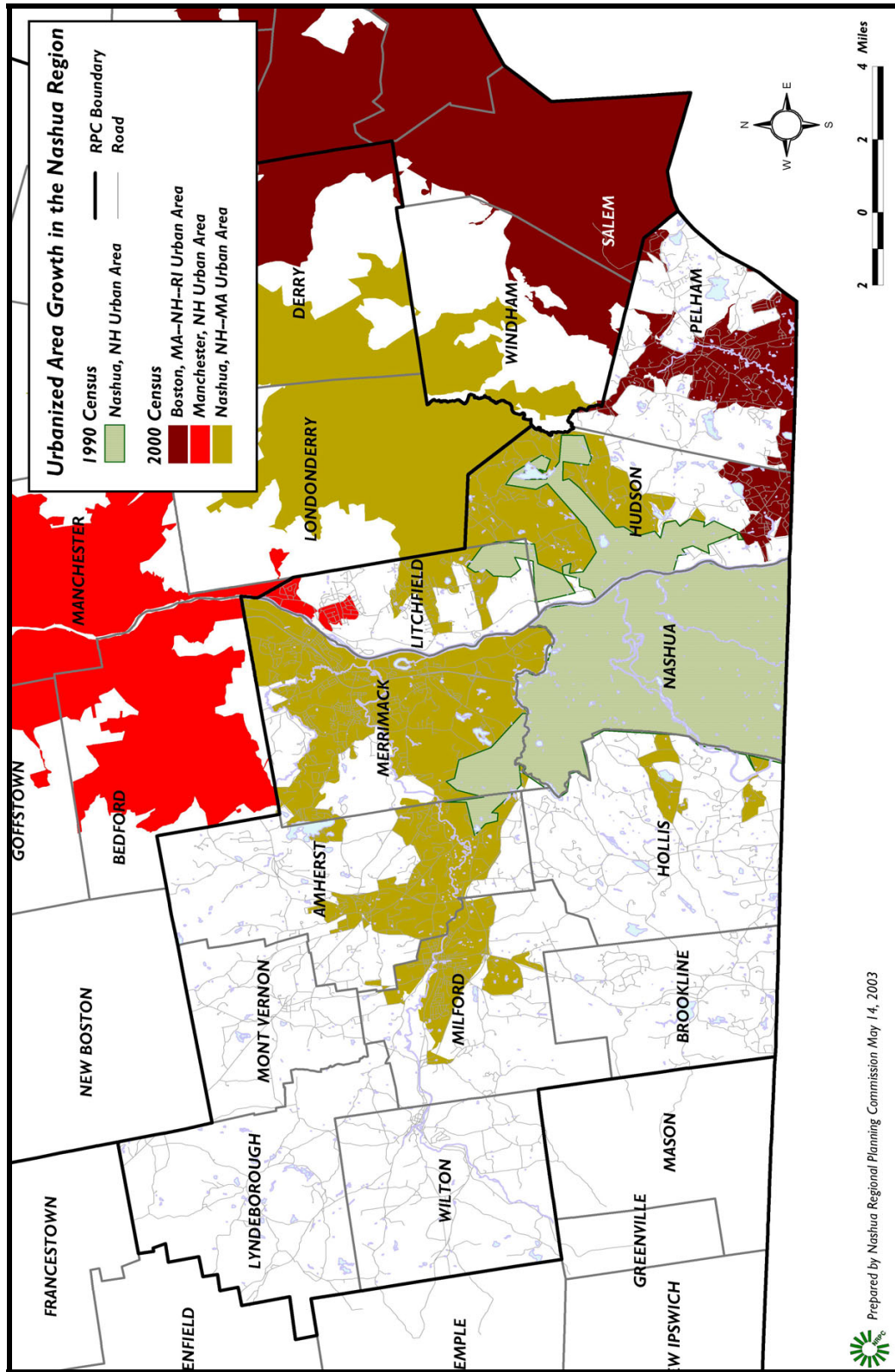
Federal funding for transit systems nationwide is provided based on formulas for three general types of transit systems. The formulas are called 5311 and 5307 after the numbered sections in federal regulations that define them. Areas below 50,000 in population are defined as rural transit systems and receive 5311 formula funds. These funds can be used by rural transit providers for either capital (vehicles, buildings or equipment) or operating assistance. Areas with populations greater than 50,000 and less than 200,000 are defined as small urbanized areas while areas with populations greater than 200,000 are considered large urbanized areas. Both groups receive 5307 formula funding, however a distinction is made in how the funds can be used. Small urbanized areas can use the funds for either capital (vehicles, buildings or equipment) or operating assistance. Large urbanized areas can use the funds for capital expenses only, however this does include preventive maintenance. The Nashua Urbanized Area is identified as a small urban area since its 2000 Census population was 197,119. Consequently, federal funding can be used for capital and operating assistance. In all three cases, the formula for the distribution of funds is primarily based on the population of the area. As a result, the population identified by the Bureau of the Census for the Urbanized Area has a very large impact on the amount and type of funding received by the transit system.

Figure 6-1 (p. VI-5) on the following page shows the 1990 and 2000 Urbanized Areas for the Nashua region, as well as the 2000 Urbanized Areas for the nearby Manchester, NH Urbanized Area and the Boston, MA-NH-RI Urbanized Area which includes portions of Hudson, Pelham, Salem and Windham. There was a large expansion in the Nashua Urbanized Area following the 2000 Census, both in area covered and in population. The 1990 Nashua Urbanized Area definition that was used to allocate funds to support transit in the region until 2002 included primarily the City of Nashua, the core of Hudson and some fringe areas of Merrimack and Hollis. The 2000 Nashua Urbanized Area included all of Nashua, nearly all of Merrimack, at least half of Amherst, Milford and Hudson, as well as portions of Hollis and Litchfield. As a result, the City of Nashua has dropped to 58.2% of the urbanized area population of the NRPC region. Further complicating the issue is the fact that the 2000 Nashua Urbanized Area was expanded outside the boundaries of the NRPC Region, and now includes 49,274 people that live in Auburn, Bedford, Derry, Londonderry, and Windham. Due to these additions, the population of the City of Nashua has dropped to only 43.6% of the population of the Urbanized Area population that is used to calculate federal transit funding for the region.

This increase in urbanized area population results in a large increase in the federal Section 5307 formula funding. Section 5307 funds provide support to transit service in the Nashua Urbanized Area. In 2002 a total of \$1,131,304 in Section 5307 formula funding was provided using the 1990 Urbanized Area definition. In 2003, with little increase nationwide in the federal transit budget, \$1,736,974 in federal Section 5307 funds will be provided using the 2000 Census Urbanized Area definition.



Figure 6-1: Urbanized Area Growth in the Nashua Region





Due to the fact that the formula funding is calculated on a regional basis, the increased funding should be used to extend the transit service to meet transit needs throughout the region. It should not be treated as simply a windfall to be used only within the City of Nashua. The City of Nashua should recognize that the funding is regional funding designated to meet regional needs. In addition, Nashua should also recognize that there are efforts underway to develop transit service in the Derry, Londonderry and Windham area. Since 24.6% of Section 5307 funds provided to support transit in the region are directly attributable to the inclusion of those three communities in the 2000 Nashua Urbanized Area, there will be the expectation that approximately that level of funding will go towards those areas.

Finally, it is also important to recognize the long term problem presented by the issue. As noted above, under current federal regulations urbanized areas like Nashua with a population above 50,000 but below 200,000 receive Section 5307 small urban area funds that can be used for either capital or operating support. Urbanized areas above 200,000 receive Section 5307 large urban area funds that can only be used for capital. Unless there are changes in the existing regulations in the next seven years it appears nearly assured that the Nashua Urbanized Area will be above 200,000 in 2010. This could happen due to natural population increase or, the Nashua Urbanized Area and other surrounding areas could blend together to create a single urbanized area with a population much greater than 200,000. The Nashua Urbanized Area could also blend into the Boston Urbanized Area that currently stretches from southern New Hampshire to northern Rhode Island. In any of these cases, the impact will be that the Nashua Urbanized Area will only receive Section 5307 large urban area funds for capital improvements. Since the Nashua Transit System currently uses the majority of its Section 5307 funds for operating assistance, the transit system would experience a serious budget shortfall. In addition, if the Nashua Urbanized Area is blended with surrounding urbanized areas in New Hampshire or Massachusetts, Nashua Transit System will not receive a direct allocation of federal funds and it will be forced to compete with other transit systems for a share of the available federal funding.

C. FINANCIAL CONSTRAINTS

The Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991, and the Transportation Equity Act for the 21st Century (TEA-21), which later replaced ISTEA, reauthorized the annual Federal transportation fund apportionment. TEA-21 requires transportation planning documents to be financially constrained. Plans must take into consideration the anticipated revenue available for future projects and proposed expenditures may not exceed anticipated revenues and available funding.

The implementation section of the Regional Transit Plan should also address this financial constraint requirement. It is difficult to anticipate the financial constraints of a Regional Transit Plan over a twenty year span and the following factors must be taken into consideration: 1) Amount of annual federal transportation funds; 2) State distribution of federal transportation funds; and 3) Planning over a twenty year period.

Historic trends on federal and local funding can assist in determining the anticipated available funds to implement the transit plan. Table 6-2 (p.VI-7) lists the federal funding allocations to the NRPC region over the past decade.



**Table 6-2: Nashua Region
Federal Transportation Funds**

Fiscal Year	Apportionment
1994	\$786,893
1995	\$802,993
1996	\$656,535
1997	\$697,101
1998	\$810,836
1999	\$896,176
2000	\$974,879
2001	\$1,032,218
2002	\$1,131,304
2003	\$1,736,974

A significant increase in funding has occurred over the past decade. This trend is especially noticeable between 2002 and 2003 and is primarily due to the new United States Census 2000 population figures. Federal apportionments are based on population estimates that are adjusted after each United States Census. Therefore future federal funding should be anticipated for the upcoming decade at a level close to the 2003 amount of \$1,736,974. This amount will likely change significantly with the results of the 2010 United States Census and the anticipated union with the Boston Urbanized Area.

Currently the NRPC region receives small urbanized area funds (Section 5307 funds), for urbanized areas with less than 200,000 people. Section 5307 funds are available for both capital and operating expenses. After the next Census it is likely that the Nashua Urbanized Area will be included as part of the Boston Urbanized area. At this point, the NRPC region will be eligible for large urbanized area funds, available to urbanized areas with populations exceeding 200,000. Large Urbanized Area funds are available for capital expenditures only and local sources will need to provide the revenue for transit operations.

Table 6-3 (p. VI-8) estimates the anticipated federal transportation funding through 2025. These figures reflect an increase of 4.12% annually, based on the 2003 apportionment of \$1,736,974. Table 6-3 does not include an allocation of funding to the Greater Derry-Greater Salem transit project. Transit service for this area is currently in the development process. The State Department of Transportation has yet to determine the specific amount of funding that will be allocated to the Derry-Salem transit project. Please note that these numbers are merely an estimate and federal funding allocations based on the results of the United States Census 2010 population figures will have a significant effect on funding levels.

The importance of the issue of the conversion of the federal transit funds from Section 5307 small urban area funds to large urban area funds cannot be overstated. This change will result in the loss to the NRPC region of all federal operating support for transit (currently about half of the NTS budget). NRPC, the City of Nashua, the NH DOT, other urban transit providers and the other municipalities must begin the process of planning for this change now, or urban transit in the state may cease to exist after 2010.



**Table 6-3: Nashua Region
Forecasted Federal Transportation Funds**

Fiscal Year	Apportionment
2003	\$1,736,974
2004	\$1,808,537
2005	\$1,883,049
2006	\$1,960,631
2007	\$2,041,409
2008	\$2,125,515
2009	\$2,213,086
2010	\$2,304,265
2011	\$2,399,201
2012	\$2,498,048
2013	\$2,600,967
2014	\$2,708,127
2015	\$2,819,702
2016	\$2,935,874
2017	\$3,056,832
2018	\$3,182,773
2019	\$3,313,904
2020	\$3,450,436
2021	\$3,592,594
2022	\$3,740,609
2023	\$3,894,722
2024	\$4,055,185
2025	\$4,222,259

Overall, the amount of funding identified above should be sufficient to maintain and expand transit service in the NRPC region as described in the implementation plan. The implementation of the proposed services will be dependent upon the availability of revenue sources as the need presents itself. Although the plan is constrained on an annual basis by available federal funding, the implementation of new services is also dependent upon local support from the affected communities. Due to the difficulty of determining future fare revenues and levels of local support, the implementation plan should constrain the federal portion of anticipated implementation costs to a level approximating the 2003 apportionment.