

KDOT Briefing Paper

Transit Administrative Funding Policies

January 2010

Background:

As directed by T-LINK (the Governor-appointed task force established to set recommendations for a new State transportation funding program), the T-LINK Transit Working Group was charged with making recommendations to T-LINK regarding policy for the dissemination of State funds for rural, urban, specialized and commuter transit. The T-LINK Transit Working Group, made up of rural, urban and specialized transit providers, transportation planners, transit advocates and T-LINK Task Force Members commenced in May of 2009. The group met monthly either as a full group or in subcommittees to define a set of recommendations for funding policy and administration.

Rural/Urban Funding Distribution:

Working Group Recommendation: The T-LINK Transit working group agrees with the T-LINK recommendation for funding distribution, but adds that any changes in funding would maintain the relative proportions between formula and discretionary and between rural and urban.

Discussion: Transit receives \$6 million in funding through the CTP. The determined distribution of that funding is 59% urban and 41% rural. In January, 2009 the T-LINK Task Force recommended 15.9 million annually in State funds for transit; including \$12.7 million in urban/rural formula funding (\$4.4 million for rural and \$8.3 million for urban) and \$3.2 million in discretionary funding (\$2 million for implementation of the regional transit approach and \$1.2 million for commuter services). The T-LINK Transit Working Group supported the formula funding distribution (35% rural/65% urban), as well as the amount of discretionary funding identified for specialty needs. The T-LINK Transit Working Group

supports the relative proportions of funding set out by the T-LINK Task Force, should more or less funding be made available by the Kansas Legislature. The relative proportions are as follows:

- Formula Funds: 80% of total (with 4% removed off the top for Specialized Transit). Remainder of funds would be divided between urban and rural as follows:
 - Urban: 65% of formula funds
 - Rural: 35% of formula funds
- Discretionary Funds: 20% of total
 - Regional Transit Approach: 62.5% of discretionary funds
 - Commuter Funding: 37.5% of discretionary funds

Urban Funding Distribution:

Working Group Recommendation: The T-LINK Transit Working Group supports a formula for urban transit that includes the following variables (with the weighting per variable): Population (40%), Ridership (40%) and Mileage (20%).

Discussion: After the passage of the CTP, the urban transit providers worked together to create the funding distribution. The determined distribution was based on a single variable (population), with Johnson County receiving additional funding for potential light rail development. In order to fund urban providers based on both demographics and demand, T-LINK recommended a multi-variable approach to formulating urban funding. After review of many options including population, poverty indicators, population density, ridership, availability of local funding, service area, and annual mileage, the T-LINK Transit Working Group decided that it was necessary to include both demographic indicators of transit use (population) and performance factors (ridership and mileage) in the distribution of transit funds.

Urban Funding Recalculation:

Working Group Recommendation: The T-LINK Transit Working Group recommends that urban funding formulas be recalculated annually. Data for the recalculation should be from submissions to the National Transit Database (NTD), using a three-year rolling average with a 24 month delay.

Discussion: A limitation of the urban funding distribution of the CTP is that the formula was calculated and the beginning of the program with no plans for recalculation at any time during the program. The T-

LINK Transit Working Group recommended to KDOT that the formula be recalculated regularly so that funding could more closely align with current services. Urban members of the T-LINK Transit Working Group found it essential that multiple years worth of data be aggregated for the calculation of funding formulas because of the volatility of services in the current economic climate. Currently, all the urban transit providers in Kansas are considering service changes to reduce their operating budget. These service changes could have a detrimental effect on ridership or mileage that would reduce the amount of funding provided through the formula in future years. It was determined by the group that three years of data would be necessary to average out any low years due to service cuts. Additionally, the group found it important to have the formula calculated two years in advance of receiving the funding in order to facilitate local budgeting and service planning.

Chart 1: Urban Funding Formula – Years Calculated

Fiscal Year	Year Formula Calculated	Fiscal Year of Formula Data
2012	2010	2008/2009/2010
2013	2011	2009/2010/2011
2014	2012	2010/2011/2012

Rural Funding Distribution:

Working Group Recommendation: The T-LINK Transit Working Group supports both formula and discretionary funding for rural transit. The group supports disseminating 90% of the funding through a formula. The additional 10% would be used for special projects, such as the initial capital outlay for a large program, construction of a maintenance facility or the construction of bus stops and shelters. The recommended formula for rural transit includes the following variables (with the weighting per variable): Population (25%), Ridership (35%) and Mileage (45%). This funding would be based on regions. Implementation of a rural funding formula should begin after statewide implementation of regional transit districts.

Discussion: Currently, rural public transit programs are funded based on a grant review process. The annual application describes needs and local match availability and funding amounts awarded are not related to a formula. As with the urban funding, T-LINK recommended that funding should be distributed using a multi-variable formula. The challenge with a formula in the rural program is that there are currently almost 100 rural general public transit providers, some of whom serve overlapping areas. Also challenging is that the chosen indicators (ridership, mileage and population) do not take into account the various levels of local matching funds available. It is possible that formulating the funding may negatively affect providers that would not score highly, but have the availability to match at a higher level. As the program is moving toward a regional transit approach, there are many unknowns regarding regional governance and how local match will be calculated. Because of these unknowns, the T-LINK Transit Working Group encourages KDOT to continue the current process of grant review until after a statewide implementation of regional transit districts. Once regional transit districts are implemented, the T-LINK Transit Working Group suggests using a formula that considers ridership, mileage and population.

Rural Funding Recalculation:

Working Group Recommendation: The T-LINK Transit Working Group recommends that rural funding formulas be recalculated annually using data collected from monthly reports submitted to KDOT.

Discussion: Currently, KDOT distributes rural transit funds based on an annual project application. As KDOT moves from a solely discretionary program to a formula, it is important that the data being used is as up-to-date as possible. KDOT collects reports monthly from the rural general public transit providers that summarize information about vehicle use and ridership. The T-LINK Transit Working Group suggests that using the monthly reports as the data for calculation, instead of using the annual report submitted to the National Transit Database (NTD). The data available in the monthly reports is more up-to-date than what is available through the NTD, which will allow transit providers to be funded based on the prior year's performance, instead of performance from two years earlier.

Specialized (Elderly and Disabled) Funding Distribution:

Working Group Recommendation: The T-LINK Transit Working Group recommends a separate fund for specialized transit, using 4% off the top of the formula funding for rural and urban transit.

Discussion: Currently, specialized transit providers (those that serve the elderly and disabled) receive 4% of the current \$6 million in State funds. The T-LINK Transit Working Group recommends creating a separate fund for specialized transit, using 4% of the formula funding for rural and urban transit. As there are specialized transit providers in both the urban and rural areas that receive this funding, it was determined that the funding for these program should be taken off the top instead of being drawn from one of the funding pots. This funding would be used to assist with the costs of operations of transit vehicles in the specialized transit program.

Specialized Funding Distribution:

Working Group Recommendation: The T-LINK Transit Working group recommends that specialized funding be distributed on a per-vehicle basis, using 100% of the funding identified for specialized transit.

Discussion: Currently, specialized transit providers receive \$4,000 per agency regardless of the size of the vehicle fleet. The T-LINK Transit Working Group is concerned that having a set amount per agency hurts those programs that have a large vehicle fleet. The group recommended a per-vehicle amount, but did not identify the specific amount, because it would be dependent on the amount of funding available.

Providers that Shift between the Urban and Rural Programs:

Working Group Recommendation: The T-LINK Transit Working Group recommends that KDOT adopt a policy of utilizing the Federal Transit Administration definition of “urban”. It also recommends that if providers move between urban and rural, the percentage share of the state portion of the funding moves permanently with the provider. The transitioned provider will maintain their previous funding level until the next formula calculation becomes effective.

Discussion: Currently, the Federal Transit Administration definition of “urban” is a population of over 50,000 in an urbanized area. The initial drafts of the proposed federal transportation bill change the definition of “urban” to a population of 100,000 within an urbanized area. Regardless of how “urban” is defined in a new transportation bill, there is a good chance that shifts between rural and urban programs will occur. In order to reduce complications, the T-LINK Transit Working Group recommends that State funding follow the federal definition of “urban” and that the proportion of funding an agency

received prior to a shift move with them and that the relative proportions between rural and urban be altered to include the new transit provider.

Commuter Funding:

The T-LINK Transit Working Group supports the use of a stand-alone commuter funding program that should be discretionary for the establishment or enhancement of innovative and sustainable commuter services.

Discussion: In the Local Consultation process, T-LINK members heard from both urban and rural transit advocates describing the emerging needs of workforce transportation. To address those needs, T-LINK recommended a specific funding stream for Commuter Transit. While the funding recommended will assist with some commuter transit needs, it will definitely not meet the yearly operating needs of multiple commuter transit projects. Because of this fact, the T-LINK Transit Working Group recommended that the commuter funding program be focused on the establishment or enhancement of commuter services and not on the annual operating costs of existing commuter transit services.