

# Federal Transit Funding 101

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July 2018

# Agenda

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- Overview
- FTA Funding Overview
- Key Definitions
- Review of Formula Programs
- Review of Discretionary Programs
- General Rules/Guidelines
- Concluding Notes

# Overview

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The Department of Transportation is made up of several different administrations that deal with safety and administration.

The Department has agencies that provide grants for surface transportation:

- The Federal Highway Administration
- The Federal Transit Administration

# Overview

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- The Federal Highway Program has several different formula programs and grant programs that innovative solutions can be a part of for licensing and direct service:
  - Congestion Mitigation Air Quality Program (CMAQ) – Formula
  - Advanced Transportation and Congestion Management Technologies – Discretionary
- Federal Highway Programs reimburse States for projects that improve our national highway system

# Overview

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- FTA grant programs are utilized to subsidize capital used to provide public transportation.
- FTA grants - *except in limited circumstance (which we will go through)*
  - are **not** used:
    - To subsidize operating costs
    - Directly subsidize a users cost

*Again – The FTA program, its rules, processes and procedures are set up and established to subsidize the acquisition of capital used in the provision of public transportation services.*

# Definitions

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## Public Transportation

The term “[public transportation](#)”—means regular, continuing shared-ride surface transportation services that are open to the general public or open to a segment of the general public defined by age, disability, or low income.

- It does not include:
  - intercity passenger rail transportation provided by the entity described in chapter 243 (or a successor to such entity);
  - intercity bus service;
  - charter bus service;
  - school bus service;
  - sightseeing service;
  - courtesy shuttle service for patrons of one or more specific establishments; or
  - intra-terminal or intra-facility shuttle services.

# Definitions

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## Designated Recipient

The term "designated recipient" means an:

- In an urbanized area with 200,000 people or more: an entity designated to receive and apportion funding allocated to a region amounts apportioned to such area
- a State or regional authority, if the authority is responsible under the laws of a State for a capital project and for financing and directly providing public transportation.

# Definitions

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- **Direct Recipient** - a direct recipient is an eligible public entity authorized by a designated recipient or state to receive Urbanized Area Formula Program funds directly from FTA
- **Metropolitan Planning Organization (MPO)** - An organization designated in cooperation with the state and public transportation operators to carry out the metropolitan planning process, including development of long-range transportation plans and transportation improvement programs which outline how Federal transportation funds are spent

# Definitions

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- **Transportation Improvement Program (TIP)** - A prioritized listing/program of transportation projects covering a period of four years that is developed and formally adopted by an MPO as part of the metropolitan transportation planning process
- **National Transit Database (NTD)** - The NTD is FTA's primary source for information and statistics collected from transit systems that receive FTA formula funding. All public systems that receive assistance must report statistics to the NTD. Data provided to the NTD is used to determine allocation of FTA funds

# Additional Key Definitions

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See attached word document

# FTA Funding Overview

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- There are two types of grant programs:
  - Discretionary
  - Formula
- **Discretionary** – Grants made through a competitive process. Each grant program has its own set of criteria, eligibilities, and rules. Discretionary funds may be subject to annual appropriations
- **Formula Funds** – Formula funds are a set amount of funds that are distributed annually. Formula funds are guaranteed.
- FTA funds are handled as direct grants, where as FHWA reimburses State's expenses

# Types of FTA Funding

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## Formula

- Urbanized Areas Formula Grants (5307)
- Enhanced Mobility for Seniors & Individuals with Disabilities (5310)
- Rural Area Formula Grants (5311)
- Bus-Bus Facility Formula (5339)
- State of Good Repair (5337)
- Tribal Transit Formula Grants

## Discretionary

- Bus-Bus Facility Investment Program
- Capital Investment Grants (New Starts)
- Low and No Emission Program (Low-No)
- Mobility on Demand Sandbox
- Transit Oriented Development Planning Grants

# Review of Formula Grants

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- **5307 Urbanized Area formula grants** - Provides funding to public transit systems in Urbanized Areas (UZA) for public transportation capital, planning, job access and reverse commute projects
- **5310 Enhanced Mobility for Seniors & Individuals with Disabilities** - Formula funding to states for the purpose of assisting private nonprofit groups in meeting transportation needs of the elderly and persons with disabilities.
- **5311 Rural Area Transit Grant Programs** - Provides capital, planning, and operating assistance to states to support public transportation in rural areas with populations less than 50,000, where many residents often rely on public transit to reach their destinations.

# 5307 Urban Area Formula – Overview

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- In general, urban area formula funds (more commonly known as 5307 funds) are the prime source of FTA funds allocated to transit agencies in areas above 200,000
- Outside of rural transit assistance – anytime an agency utilizes FTA funds for a micro-transit project, it will most likely be 5307 funds.
- 5307 funds are generally provided for capital projects, but in some circumstances, funds can be used for operating
- Grants are not ever used as passenger subsidy unless used for Job Access Reverse Commute (JARC) Projects
- 5307 Grants require local entities to cover at least 20% of the project cost.

# 5307 Urban Area Formula - Eligibilities

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- Capital Projects
- Assent Management
- Mobility Management
- Job Access Reverse Commute Programs
- Services Contracted through FTA Capital Cost of Contracting Policy

# 5307 Urban Area Formula – Funding Allocation

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- Each year funding is allocated to a region through its designated recipient.
- The amount of funding allocated to a designated recipient is determined through a formula that includes a variety of factors including:
  - fixed guideway vehicle revenue miles
  - fixed guideway passenger miles
  - Bus vehicle revenue miles
  - Bus passenger miles
  - Population & population density
- Funding for a region may increase or decrease year to year based upon the data submitted by a region to the National Transit Database.

# 5307 Urban Area Formula – Project Selection

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- Designated recipients are in charge of gathering NTD from regional providers as well as distributing funds to other agencies. Designated recipients are responsible for administering grants in the region.
- Designated recipients, in effect, control how FTA funds are spent in a region. While their authority is simply to administer the funds for the regions, in almost every way, designate recipients control who can access FTA funds and how they are spent
- The relationship between the designated recipient and other stakeholders in a region is different from region to region.
- One way smaller agencies can assume more control is by becoming a direct recipient. However, designated recipients control establishing other public providers in the region as direct recipients. This allows those agencies defined as direct recipients to receive FTA funds directly and places all responsibilities on them.
- Designated recipients provide a program of projects (POP) which is a list of projects proposed by a designated recipient in cooperation with a Metropolitan Planning Organization to be funded from the urbanized area's Section 5307 apportionment. The POP is a living list that can be altered as needed

# 5307 Urban Area Formula – Use for Operating Expenses

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In General, 5307 grants are for capital expenses only. However, funds may be used for operating assistance under limited conditions:

- Recipients in UZAs with populations of fewer than 200,000 may use Section 5307 funds for operating assistance. There is no limitation on the amount of their apportionment that recipients in these UZAs may use for operating assistance.
- Recipients in UZAs with populations of 200,000 or more may not use Section 5307 funds for operating assistance unless identified by FTA as being eligible. Public transportation operators that operate 100 or fewer buses in fixed route service during peak service hours may use a limited and variable percentage of their UZA's 5307 apportionment for operating assistance. Operating assistance caps for eligible operators are published by FTA in the Federal Register.

# 5307 Urban Area Formula Grants – Key Takeaways

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- 5307 grants are primarily used for capital expenses except for limited occasions
- The amount a region receives alters from year to year based upon the amount of service provided – Adding revenue miles and passenger miles increases the amount a region receives. The value of a revenue mile varies but are roughly worth .49\$ a revenue mile for areas over 1 million and .60\$ a revenue mile for areas between 200,000 and 1 million
- Designated recipients control who gets funding and for what, absent a letter designating an entity a direct recipient.

# 5307 Urban Area Formula – Summation

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- Innovative solutions are eligible for 5307 funds in three specific ways:
  - **Licensing** – Procuring Transit ITS is an eligible expense.
  - **Direct Assistance** – Using the Capital Cost of Contracting model, agencies can contract with innovative solutions to provide service. There are several models that can be used and depending on the model used will determine what percentage of the contract is considered a capital expense (see attached summary for more information). Some risk will be need to be assumed by innovative solutions under this model as the amount subsidized will relate to the amount of capital provided. (see additional sheet)
  - **JARC** – Agencies can contract with innovative solutions to provide job access and reverse commute options to low-income workers. Through JARC, agencies can directly contract for service with innovative solutions .

# Other formula programs - 5310

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**5310 Enhanced Mobility for Seniors & Individuals with Disabilities** - Formula funding to states for the purpose of assisting private nonprofit groups in meeting transportation needs of the elderly and persons with disabilities.

- Funds can be used for capital and in some instances operating costs of providing dedicated services for seniors and individuals with disabilities.
- Funding provided to States for rural areas and Designated Recipients in Urban areas
- Funding is to be allocated to non-profit organizations. Designated recipients and other public agencies may also provide service.

## Other formula programs – 5311 (rural)

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- This program provides capital, planning, and operating assistance to states to support public transportation in rural areas with populations less than 50,000
- Grants are made to State Departments of Transportation and are then allocated to other entities by the State DOT.
- Eligible activities include capital and operating expenses (requires 50% match)

# Small Transit Intensive Cities (STIC) Program

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A provision in the FTA Urbanized Area Formula program (Section 5307) to distribute funds to urbanized areas under 200,000 population. Under the formula for STIC, funds are apportioned to urbanized areas (UZA) with a population less than 200,000 that meet or exceed the average level of service for all UZAs with populations between 200,000 and 1,000,000. The UZAs must operate at a level of service equal to or above the industry average level of service for all UZAs with a population of at least 200,000 but not more than 999,999, in one or more of six performance categories:

- 1. Passenger miles traveled per vehicle revenue mile,
- 2. Passenger miles traveled per vehicle revenue hour
- 3. Vehicle revenue miles per capita,
- 4. Vehicle revenue hours per capita,
- 5. Passenger miles traveled per capita, and
- 6. Passengers per capita.

# Small Transit Intensive Cities (STIC) Program

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By utilizing innovative solutions transit agencies below 200,000 can increase their service levels in each of the following criteria, and as such, are eligible for additional STIC funding:

- Passenger miles traveled per vehicle revenue mile,
- Passenger miles traveled per vehicle revenue hour
- Vehicle revenue miles per capita,
- Vehicle revenue hours per capita,
- Passenger miles traveled per capita, and
- Passengers per capita

# Review of Discretionary Programs

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- Bus-Bus Facility Investment Program
- Capital Investment Grants (New Starts)
- Low and No Emission Program (Low-No)
- Mobility on Demand Sandbox
- Transit Oriented Development Planning Grants

*Of the discretionary grants – Bus-Bus Facility, Mobility on Demand Sandbox, and Low and No Emission Program are the only FTA discretionary programs many innovative solutions are eligible for*

# Review of Discretionary Programs

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## Bus-Bus Facility Investment Program

Provides funding through a competitive allocation process to states and transit agencies to replace, rehabilitate, and purchase buses and related equipment and to construct bus-related facilities. The competitive allocation provides funding for major improvements to bus transit systems that would not be achievable through formula allocations.

- Funds here maybe used to purchase or license services that would improve bus service. This program is a good program for agencies to look at when looking to license technology.
- Funding available varies based upon annual appropriation. Average grant is between \$2-\$6 million. NOFA for FY 2018 should come later this summer.
- Requires 20% local match

# Review of Discretionary Programs

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## Low-No Emission Vehicle Program

- Provides funding through a competitive process to states and transit agencies to purchase or lease low or no emission transit buses and related equipment, or to lease, construct, or rehabilitate facilities to support low or no emission transit buses. The program provides funding to support the wider deployment of advanced propulsion technologies within the nation's transit fleet.
- *Funds here maybe used to license services that would be integrated into low or no emission buses. This program is able to be used to license technology, but the funding is not intended for such and the tech would need to be merely an add on to the purchase of low-no buses. Funding available varies based upon annual appropriation. Average grant is between 2-6 million. NOFA for FY 2018 should come later this summer.*

# Review of Discretionary Programs

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## Mobility on Demand Sandbox

- FTA Research program where that projects that promote innovative business models to deliver high quality, seamless and equitable mobility options for all travelers
- *Funds here maybe used to license or provide direct services. However, funding has only been allocated for one year and there is no guarantee that the FTA will make available additional funds.*

# Funding Guidelines

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- Buy America

Vehicles and materials purchased, leased, contracted for use and acquired must be assembled in the US and made with steel from the United States. Exemptions apply for mini-vans and limited waivers are available if Buy America products are not readily available.

- 13(c) labor protections

FTA law that requires employee protections must be certified by the Department of Labor and in place before federal transit funds can be released to a mass transit provider. Under 13(c) FTA recipients are not allowed to use funds in an effort to downsize their workforce.

- Drug & Alcohol

FTA policy that mandates testing of drivers for drugs & alcohol

- Safety and Asset Management

Policies that establish asset management and safety training protocols and procedures

- ADA requirements/Title VI Requirements

Policies that require services can be provided to individuals with disabilities and equitable services are provided

# General Rules/Guidelines

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**Buy America** – Requirement that purchased capital is made in America and that all components are made in America unless waivers are in place

- *Note: It is unclear how emerging technologies and services will be impacted by Buy America. To date there has not been a noticeable impact, however, that may change as more TNC style services are integrated into transit agencies.*

# General Rules/Guidelines

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**Labor Laws** – Requirement that funding can not be used to replace current workforce. I.e. If agency currently utilizes 50 drivers and it were to procure services that would reduce the number of buses in operation, it would still have to provide jobs for those 50 drivers

- *Note: by licensing the technology, transit agencies are able to utilize their own workforce. This gives agencies a strong incentive to license rather than contract for service.*

# General Rules/Guidelines

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- **Drug & Alcohol Testing** – FTA requires Drug & Alcohol testing of drivers. The current rules are written based upon traditional transit service models. The rules that require testing could become problematic given the turnover of drivers and other factors related to innovative transportation solutions.

# General Rules/Guidelines

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**Safety Plan & Asset Management Plan** – Transit agencies are required to develop safety and asset management plans that include all services they provide. Given the nature of many innovative solutions, it is unclear HOW agencies will be able to include such service. However, the FTA has ruled that they must be incorporated.

*Note: This has yet to impact existing grant opportunities, but this will be something that we imagine may become a problem in the near future. The base of the issue comes in the fact that with a private provider using third-party contractors, the assets are constantly shifting, unlike in traditional transit services.*

# General Rules/Guidelines

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**ADA Requirements** – Rules and requirements that service provided by transit agencies are accessible for all users. Requirements vary based upon type of service provided, but in general, it is the responsibility an agency to provide accessible and equitable transportation services.

Note: FTA released guidance on application of ADA:

<https://www.transit.dot.gov/regulations-and-guidance/policy-letters/dot-dear-colleague-letter-equity-access-shared-mobility>

# General Rules/Guidelines

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**Title VI** – Title VI provides rules and regulations that stipulate agencies provide equitable service regardless of creed, color, or nationality.

[https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/FTA\\_Title\\_VI\\_FINAL.pdf](https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/FTA_Title_VI_FINAL.pdf)

# Concluding Notes

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- This presentation looks specifically at FTA programs and does not take into consideration FHWA or general DOT programs including:
  - CMAQ (FHWA formula)
  - STBG (FHWA formula)
  - TIGER/BUILD (DOT discretionary)
  - ATCMTD (DOT discretionary)

# Why aren't private providers of transit capital utilized more?

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- Outside of demand response and vanpooling, there are very few models of P3 operating partnerships
- In general, there is a schism between the public and private sector. In many cases, if a public agency doesn't own and operate a service, they are reluctant to engage such an entity providing that service.
  - However, that is beginning to change with more agencies and municipal governments looking to utilize Mobility on Demand Services.

# Policies to Consider

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- Support existing funding opportunities:
  - MoD Sandbox
  - Smart Cities/Advance Deployment Grants (FHWA & DOT grant programs)
- Create new funding opportunities
  - Discretionary grant program focused on innovative service delivery
- Make changes to existing programs/procedures
  - Create/Expand incentive tier of apportionment formula to reward agencies with highly effective services
  - Allow private sector greater access to Federal transit funds
  - Create FTA policy for contracting with MoD providers
- Encourage innovation through more appropriate regulation
  - Develop a regulatory scheme for MoD providers that recognizes MoD business models but respects intent of underlying policies (i.e. Buy America, 13c, ADA, Drug Alcohol)