PART I

A STUDY OF SOURCES USED FOR LOCAL REVENUE FOR TRANSIT

Introduction and Acknowledgements

This project started as an idea that several long time small urban and rural transit providers had and discussed with the Program Manager at PTN Kris Dudley. Having worked with Kris and a rural transit provider in the past, the former Center for Community Support at the Public Policy Research Institute of Texas A&M University was asked to help make this idea a reality. In late summer 2011 the first meeting of the Advisory Group provided the ground work and plan for a survey of Texas transit providers that was extended to transit providers in other states on the subject of meeting the federal grant requirements of Local MATCH FUNDING.

The survey was completed in 2012 and information was gathered from over 120 respondents. They were asked not only about the sources of match funding their organizations had utilized but also their preferences on a Resource Guide and Training on the subject to insure their understanding and use of the final product. The list of Match Funding Resources used was expansive and to insure that the information was Transportation and Texas specific, the Transit Mobility Program Team from the Texas Transportation Institute (TTI) was contracted by TxDOT to develop this information further.

In early September 2013 the first of four regional trainings took place in Corpus Christi, followed by Lubbock, Houston and Dallas. At all locations, attendees were asked to provide feedback on the materials, their presentation, and the training. The overwhelming majority of the attendees submitted that the format for the guides provide was very good and user friendly.

As the world of funding resources, from local government funding streams to federal and state grant programs, as well as, private and corporate foundation funding, is ever changing. Remember that to use this information in the best form possible you must make efforts to seek those sources that work for your unique organization and community to insure the greatest chance of positive returns for time invested.

We wish to thank the members of the Advisory Group for providing feedback to the survey and resource manual development. Thanks to TTI's Transit Mobility Team, Linda Cherrington, Martha Raney Taylor, and Suzie Edrington for their work on the Resource Guide research and development. And special thanks to Kris Dudley and Darla Walton of TxDOT PTN who provided support and direction throughout the entire project.

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Typology for Sources of Local Revenue for Transit

The following is a typology for local sources of revenue to fund transit. *(1, 13)*

- **Transit-generated revenues** – Revenues generated by transit services (fares) or directly by the business activities of the local or regional transit agency.
- **Federal Funds from a Federal Department or Agency Other than DOT** – Funding made available from federal agencies other than U.S. Department of Transportation is eligible for local share for FTA programs. The funding must be eligible for use in public transportation projects under the laws and regulations governing that funding, however.
- **General (government) revenues and taxes** – General revenue and taxes include all broad-based taxes that are traditional sources of revenue for transportation investments, including transit. These sources include sales tax, property tax, personal income tax, and the general fund of governmental entities (where these types of general revenues are typically deposited for general appropriation). Most of the taxes in this category are implemented on a statewide or local option basis.
- **Motor fuel and vehicle-related taxes or fees** – Revenues from motor fuel and vehicle-related taxes are differentiated from general revenues and taxes because of the close direct association with transportation investments.
- **User or market-based sources** – This category of revenue is often referred to as "new" or "innovative." The funding mechanisms are in use for transit in specific or limited examples. User or market-based sources include tolling, congestion pricing, emissions fees, and energy taxes applied at the local level.
- **Business activities** – These revenues include taxes and fees on businesses or business-related activities. The general basis for these types of revenues is the presumption that business economic activity is supported by and generates the need for public transportation.
- **Personal activities** – Revenues generated by taxes on gambling, cigarettes, or alcohol are sometimes referenced as "sin taxes."
- **Revenue streams from transit projects** – Revenues from transit projects generally refer to major capital investments that generate an income stream from private business and related development activities benefitting from the proximity to transit facilities and services.
- **Financing mechanisms** – Financing mechanisms are not actually sources of revenues. Rather, these are strategies for leveraging debt to support local and regional transit projects and programs. The terms are defined here because of the general tendency to lump these financing mechanisms with actual revenue-producing tools.

Table 1 describes each category of a local funding or financing mechanism, identifies a range of possible specific taxes or fees, and defines each. *(1, 12)* A cross reference is provided to identify states or locales where these funding mechanisms are used to finance transit services, particularly in small urban or rural areas.

Table 2 provides examples of types of revenue in use in other states, but which are excluded by statute as revenue sources in Texas. Other sources are by definition suited or applicable only to urban areas. Still others may have a narrow window for application to transit, which has not been exploited in Texas to date. The revenue sources in Table 2 are provided for

Table 1. Sources of Local Revenue for Transit in Texas

Source of Revenue	Description	Examples
Transit-Generated Sources		
See also revenue type in this table: Revenue Streams from Transit Projects		
Fares *Note: The local funding match required for operating expenses is based on the operating deficit, which is calculated as operating expenses less fares. Therefore, fare revenues reduce the required operating match. Local match required for capital expenses is unaffected by fare revenue.*	Fares include all income received directly from passengers, either paid in cash or through prepaid tickets, passes, stored fare cards, etc. This category includes revenues by contract in lieu of fares to pay for trips provided to specific passengers or passenger groups. Fares include bulk transit passes to groups (e.g. university student U-Passes, and passes to employees of a company or residents of a neighborhood) based on ridership that may be offered at a discount. Goal is to increase ridership, and should be revenue neutral (additional transit costs are at least offset by the additional revenue).	**Farebox recovery** Nearly all transit agencies recover a portion of operating expense through fare revenue from users; however, the ratio for fare recovery may be low. El Paso County – Achieves ~14% fare recovery rate because they do not offer fare discounts for any special populations (students, veterans, disabled, elderly, etc.). **Other States:** Maryland Transit Administration (MTA) – Required by statute to recover 40% of transit operating expense for bus and urban rail through fares, with a goal of 50% fare recovery. New Jersey – Some county agencies do not charge set fares for some or all services, accepting farebox donations instead. **Contract Revenues** Lower Rio Grande Valley Development Council (LRGVDC) – Contract for fares with UT-Pan American (UTPA). Note: LRGVDC has an additional contract for service with UTPA shown below in Contract Services. McAllen – United Way contract of $42K for passes for service to clients. Southwest Area Regional Transit District (SWART) – Existing contracts with Maverick County for transporting veterans ($1,000/mo.) and with a local junior college to transport dual credit high school students ($1,800/mo.). **Discounted Bulk Transit Passes** Galveston –Discount coupons (50%) for UT Medical Branch employees

Source of Revenue	Description	Examples
		Other States: Arizona – Sun Tran (Tucson) has different agreements with five colleges/universities in Tucson. The U-Pass partnership with the University of Arizona (UA) allows students, faculty and staff to purchase discounted passes and ride wherever Sun Tran goes; UA pays 50 percent of the cost. Colorado, City of Boulder – Both residential building managers and entire neighborhoods (even single-family areas) can purchase Eco-Passes for their residents. Neighborhood volunteers collect contributions on an annual basis, and once the minimum amount is collected, everyone living in the neighborhood is eligible for the transit pass. Alternatively, a neighborhood can elect to increase property taxes to purchase neighborhood-wide Eco-Passes. Area employers also purchase annual bus passes for their full-time employees at discounted bulk rates. Louisville, KY – The city's bus service, TARC, offers employers a variety of discounted bulk pass options that are purchased by employers, employees, or some combination. These programs are marketed prominently on the TARC website.
Contract Services	Contract revenue is the payment or reimbursement by any organization, government, agency, or company, under a formal contractual agreement with the transit operator for a service. Revenues are generated for services provided and not linked to a specific passenger or group. This category includes contract revenues for the Medical Transportation Program (MTP) and other client-based transportation services.	**Private Employer Contracts for Employee Transportation** Golden Crescent Regional Planning Commission (GCRPC) – Inteplast, a private business, contracts $235K to provide employee transportation to work. Match for a JARC grant, the combined funds assist with operating and administrative costs for all GCRPC programs. **Service Contracts** Central Texas Rural Transit District (CTRTD) – Two contracts (total ~$30K) resulted from service coordination efforts when other providers lost capital funding; other small contracts include a private medical transportation company and Erath County Senior Citizens within Stephenville. City of Lubbock – $27K contract with a local grocery store to provide transportation to the store for people living in local retirement communities. A dedicated full size bus makes daily trips midday to the store, carrying residents from a different area each day. Drivers assist clients into the store and with their shopping. Citibus bills at an hourly rate. Also acts as the local

Source of Revenue	Description	Examples
		Greyhound agent and counts the $41K profit (contract price less expenses) as match. Special Programs for Aging Needs (SPAN) has developed several niche contracts (>$80K total) with various social services groups to provide specific services that did not previously exist for their constituents. STAR Transit – Seven contracts in 2012 ranging from $160 to $43K provide services to a variety of groups. Includes a service coordination contract with North Central Texas COG for City of Rockwall ($43K), AAA contract with Kaufmann County Senior Citizens Services for service in three counties ($35K), a state hospital contract for service on their campus ($42K), and other public and private contracts. **Service Coordination Contracts** City of Cleburne – Each city and county in the service area contracts annually for service based on that area's population. Total of all contracts was $113K in 2012. City of Longview – Regional maintenance for ETCOG GoBus ($7-9K per month) City of Waco – Provides maintenance for Heart of Texas COG regional system. **Universities (not funded with Student Fees)** LRGVDC – University of Texas Pan American contracts for fixed route service ($50K/year) Note: this contract is in addition to a contract for fares shown in the Fares category above. University of Texas Brownsville (UTB) contracts with the City of Brownsville for UTB students to ride Brownsville Metro, the city's bus service, free with a student ID ($120K/year) Texas State Technical College (TSTC) contracts with the city of Harlingen to expand municipal service into the campus ($38K per year). **Medical Transportation Program** In 2012, 21 of the 39 (or 54%) of rural transit districts and 9 of 26 (or 35%) of state-funded urban transit districts provided MTP transportation either directly as a Transportation Service Area Provider (TSAP) or indirectly as a contractor.

Source of Revenue	Description	Examples
University Student Fees	Fees paid by university students to support activities or student services, such as transportation	CTRTD/CARR – Student fees fund a ~$30K contract for park and ride type services with Howard Payne University's Stinger Shuttle. Lubbock – Municipal Citibus service operates the Texas Tech shuttle service with three on-campus and five off-campus routes. Operations are funded entirely from student fees and some apartment fees. Capital costs are covered by federal and state funds. Capital Metro, Austin (CMTA) – Interlocal agreement with University of Texas to operate UT Shuttle with a dedicated fleet. CMTA contracts with a private provider to operate the service. Sources include federal funds (for a portion of the capital costs), local sales tax (for a portion of operating and administrative costs), and a mandatory UT student bus fee. Denton County – Operates the University of North Texas (UNT) shuttle bus system. UNT contributes student fees of $3.50 per credit hour. The public can also use the service for a fare. **Other States:** Colorado –Durango Transit & Ft. Lewis College student fees Other agreements between transit agencies and universities that are supported at least in part by student fees include: • Bloomington (IN) Transit and Indiana University • Lawrence (KS) Transit and University of Kansas • Centre Area Transportation, State College, PA and Penn State • Transfort, Ft. Collins, CO and Colorado State • CyRide, Ames, IA and Iowa State • Unitrans, Davis, CA and Associated Students, UC-Davis [a 501(c)(3)]
Lease/Sales Revenue **refer to FAQ for further information, p 32*	Lease revenues may be earned from the payments for the use of capital assets (office buildings, stations, vehicles or equipment) owned by the transit agency and may include payment for access to rights-of-way (rail corridors). Retiring fleet vehicles or other capital assets that have a current per-unit fair market value of less	SWART – $29K/year for leasing office space in Uvalde building to another transit provider and in Uvalde and Crystal City buildings to Head Start Laredo – Charges for daily and monthly parking at the transit center, and leases retail and office space in the five-story transit center building to telecommunications companies, Greyhound, Burger King and others. Combined lease/concessions revenue was ~$600K in 2012.

Source of Revenue	Description	Examples
	than $5,000 may be sold with no further obligation to the awarding agency. If capital items exceed $5,000 in value, proceeds go first to FTA to pay off any remaining grant value not yet amortized. FTA considers this revenue program income, which may not be used to reduce the local share of the grant from which it was earned, but may be used in future grants.. See also • Texas Administrative Code, Rule §31.57 • FTA Circular C.5010.1D Grant Management Requirements (Chapter VI, Item 7, Program Income) • Code of Federal Regulations 49 CFR Subtitle A §18.32, Equipment.	Lubbock – $52K from sale of vehicles retiring from fleet. Waco – Leases space in the transit center to Greyhound. McAllen – Leases space in its multi-modal terminal to Greyhound. El Paso (Sun Metro) – The historic Union Depot's rotunda is available for lease by the public, businesses, and civic groups, as long as the function is not for profit, political or commercial purposes. Minimum rate is $600, plus fees for security, cleanup and insurance. Detailed information is available on the Sun Metro website (http://www.sunmetro.net/rental.html).
Advertising Revenues	Advertising revenues are earned from displaying advertising materials on transit agency vehicles and property.	Many agencies that sell advertising space market this on their websites, offering specific details in downloadable files. CTRTD – Program for bus wraps includes marketing of the opportunity on their website, City and Rural Rides (CARR) http://www.cityandruralrides.com/BusWrapAdvertising.htm. Brought in $8,500 in 2012. Laredo – Advertising on buses and in bus shelters http://main.elmetrotransit.com/opportunities/transit advertising/transitadvertising.html LRGVDC – $156K/year on bus wraps, interior placards on regional, rural and municipal bus services. Successful in getting social services to advertise on rural routes. http://www.lrgvdc.org/transitad.html Lubbock – $300K/year on bus wraps, in-bus signage, floor vinyl ads. http://www.citibus.com/advertising – website lists all advertisers, demonstrating who your ad competitors are. Includes downloadable info/price sheets. Waco – Bus and shelter ads ($170K) and benches ($6K),

Source of Revenue	Description	Examples
		commissions ($9K) http://www.waco-texas.com/transit/advertising.asp **Other States:** Oregon: North by Northwest Transportation Foundation sells advertising on buses, website, and visitor information. New Jersey: Middlesex County netted >$60K from bus wraps in 2011-12.
Parking Fees/Taxes	Parking fees can be levied on either the user or owner of the space. The full value of a user fee may be earned for public transit if the facility is owned by the transit agency; otherwise an incremental tax or fee can be charged for use of a parking space, especially in congested areas, to discourage vehicle use. For property owners, a tax on non-residential parking spaces can be assessed.	Brazos Transit District collects parking fees for a parking garage but this is not a park and ride facility. California – San Francisco's annual parking meter revenue was $47,138,412 in FY 11-12. Eighty percent of all municipal revenues are expended on the city's transit system.
Concession Revenues	Concessions are revenue earned from granting operating rights to businesses on property or vehicles maintained by the transit agency.	McAllen – Receives income from concessions in the city's multimodal terminal from souvenir store and food service companies in the food court. El Paso (Sun Metro) – City council authorized concession leases at two of its transfer centers. The first lease began in February 2011 for $24K + utilities in the downtown transfer center, and the second began in December 2011 for $7200 + utilities in the Mission Valley transfer center. Laredo – Concession income from telecommunications companies, Burger King and others. Combined lease/concessions revenue was ~$600K in 2012.
Donations	Donations include contributions from individuals, businesses, charitable or non-government organizations (NGOs) to help cover the transit system capital or operating costs.	CTRTD – Has a page on their website soliciting cash/in-kind contributions, with a downloadable form for transmitting contributions: http://www.cityandruralrides.com/Contributions.htm. A group with whom CTRTD has a service contract also makes donations (~$10K in 2012).

Source of Revenue	Description	Examples
		Special Programs for Aging Needs (SPAN), Denton – Advertises on an independent website, http://www.volunteermatch.org for cash donations and volunteers. **Other States:** Oregon – North by Northwest Transportation Foundation New Jersey – NGOs that donate to some agencies in New Jersey include The Arc, Easter Seals and 21 Plus. Oregon – Ride Connection, a non-profit serving the Portland tri-county area (Clackamas, Multnomah, and Washington counties), accepts cash and in-kind donations, and solicits donations of vehicles (including boats and RVs), which the organization will either put into service or convert to cash for agency use. An informational page about vehicle donation is on their website: http://www.rideconnection.org/ride/SupportUs/DonateYourVehicle.aspx. A planned giving program is under development. An annual gala raises funds and awareness and is underwritten by sponsors. Donors of any amount are acknowledged by name on the website and in the annual report.
Contributed Services	Services (not cash) from another entity where such services benefit transit operations and the transit agency is under no obligation to pay for the services. Includes "in-kind"	Ark-Tex: Contributed labor from adult probationers is used for janitorial services – cleaning buses, bus stops and transit offices. A probationer is stationed 8-10 hours a day in the transit facility to keep people from smoking on the property. The approved rate is $21.91 per hour, yielding nearly $200K in 2012. Workforce Solutions of Northeast Texas contributes time valued at ~$100K that they spend educating their clients about Ark-Tex transportation programs and setting up transportation services for their clients. Brazos Transit District – Documents The Woodlands Township's contribution of landscaping, electrical preventive maintenance, utilities and extermination services on office space. CTRTD – Has a page on their website soliciting cash/in-kind contributions, with a downloadable form for transmitting the gifts: http://www.cityandruralrides.com/Contributions.htm. Gulf Coast Center (GCC) – Documents $500K land value to support construction of park and ride facilities (See specific FTA

Source of Revenue	Description	Examples
		regulations for use of real estate as local match). LRGVDC – Documents the value of land occupied by a maintenance facility in Harlingen, a park and ride in Donna. The city of Edinburg's Economic Development Council documents the costs of a downtown revitalization project that includes transit development (West McIntyre streetscape) and the in-kind contribution of labor to develop it. SPAN – Advertises on an independent website, http://www.volunteermatch.org, for volunteers and cash donations. STAR Transit – Documents the value of in-kind contributed services, including parking buses on properties in outlying areas for use in those areas, and donation by Union Pacific of the building used for STAR's administrative offices. They also receive a steep discount on the lease of the property the building is on, and document the difference as a contribution. Webb County Transit – Documents in-kind business services support from other Webb County offices (payroll, requisitions, motor pool, shop, etc.) West Texas Opportunities (WTO) – Nearly $1M in match is generated from in-kind contributions including subcontractors funded from their own sources, parking and building space provided by counties, and volunteers assisting clients on trips. **Volunteer Drivers** **Other States:** California – In 1993, Riverside County Transportation Commission and the Riverside County Office on Aging committed funds to develop a program to meet the unmet transportation needs of older adults and people with disabilities. A separate non-profit agency (Independent Living Partnership) was tapped to operate a volunteer driving program for seniors. They developed a model called TRIP that requires riders to recruit their own volunteer drivers who drive their own vehicles and are reimbursed for mileage. It requires limited staff and infrastructure because it does not own vehicles, recruit, train or support drivers, schedule rides, or charge fees. The model has been reproduced elsewhere and is available at http://www.triptrans.org/.

Source of Revenue	Description	Examples
		Florida – Charlotte County Transit operates a service for transportation disadvantaged clients called Sunshine Ride. Some of the drivers for this program are volunteer drivers provided by other social service agencies. Other program volunteers perform other administrative services. Maine – York County Community Action has about 90 volunteer drivers who transport York County residents whose needs cannot be met by the bus program due to route or schedule conflicts. They operate their own vehicles and are reimbursed for mileage and tolls only. Minnesota – Grant County Public Transportation Program employs volunteer drivers as part of their transportation services to all residents of the County. Oregon – Ride Connection, a non-profit serving the Portland tri-county area (Clackamas, Multnomah, and Washington counties), coordinates transportation options among a variety of area partners, and also runs a volunteer service based on the TRIP model. Of the 642 drivers in the partnership network, 429 are volunteers. The organization referred 58 new volunteer drivers to its service partners in 2011-12. The program also utilizes volunteer ride escorts, travel trainers, office staff, interns and students. The value of all volunteer services was $1.1M in 2012. Tennessee – Knox County Community Action Committee Transit – Utilizes volunteer drivers in agency-owned vehicles to transport seniors and disabled to medical, shopping, recreational and other activities.
Federal Funds from a Federal Department or Agency Other than DOT		
Note: There are more as many as 50 programs from 12 different federal departments and independent agencies eligible as local match for FTA transit programs. The following are selected examples. See also TCRP Report 144: Sharing the Costs of Human Services Transportation Vol 2: Research Report (http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_144v2.pdf) and the Community Transportation Association of America's Federal Investment Guide (http://www.ctaa.org/webmodules/webarticles/articlefiles/fedinvest.gd.pdf).		
Department of Health and Human Services	Supportive Services and Senior Centers Head Start Temporary Assistance for Needy Families (TANF)	**Head Start** Head Start is funded through local Community Action contracts. Central Texas Rural Transit District – Contract for $29K provides transportation for Head Start students in one county.

Source of Revenue	Description	Examples
	Medical Transportation Program for Medicaid (MTP), Title XIX of the Social Security Act, is a major funding source for non-emergency medical transportation in many states, with rules of its use varying widely. This low-income health care program is administered within each state and guided largely by state rules. In some states, there are significant transportation benefits, sometimes paid to the public transit provider on a trip-by-trip basis. (AARP Website, Funding Rural Public Transportation, 2012) Community Services Block Grant Program Development Disabilities Grants Administration on Aging, Older Americans Act, Title III funds Administration for Children and Families Title XX Social Services Block Grant	Hill Country Transit District (HCTD) – Community Action provides vehicles, maintenance and insurance, and funds ~$9K for HCTD drivers and fuel. **Aging funds** HCTD: $20K from three Area Agencies on Aging; this is a long standing contract but funding and services are down from previous years. GCRPC: $54K from Title IIIB funds through local Area Agency on Aging. Ark-Tex COG Rural Transit District: Has had a contract with Area Agency on Aging for 17 years to transport the seniors within the district free of charge. ArkTex is reimbursed $7.97 per one way trip. Yielded $300K in 2012. **MTP** HCTD/CARTS Service coordination: HCTD subcontracts $140K to CARTS to provide MTP service in Llano County. **Other States:** New Jersey – Six rural counties utilize Title XX SSBG; pass-through funds from Admin. On Aging, and TANF (4 rural counties) are used to cover operating costs of transporting members of designated populations to eligible activities.
Department of Labor	Senior Community Service Employment Program Workforce Investment Act Program	Alamo Area COG – $25K Workforce contract to provide transportation for clients to school, work, day care, etc. CTRTD – One-time pledge of $60K funds from Workforce Center of Abilene; reimbursement for services on a monthly basis until funds are expended. Provides match to a JARC grant. Colorado Valley Transit (CVT) – Receives $40K annually from Workforce Solutions

Source of Revenue	Description	Examples
		Other States: New Jersey – Burlington County uses pass-through Workforce Investment funds to cover operating costs of transporting persons enrolled in Workfirst NJ to education, training and employment activities.
Department of Education Rehabilitation Services Administration	Vocational Rehabilitation Grants Independent Living Programs http://rsa.ed.gov/programs.cfm	Texas has 19 Centers for Independent Living (CILs) across the state, established with Independent Living Program funds. Centers provide an array of services to disabled clients, including transportation. Independent living skills training programs include various levels of training on finding and using transportation services provided by other transit agencies; these agencies can explore the cost of this service as match. CILs may use DOE funds or supplemental funding sources for the services they provide. In the latter case, DOE funds may fund the infrastructure for these services, such as administrative/accounting support and facilities. San Angelo – Disability Connections serves eight west central Texas counties and receives Independent Living funds of $250K/year. Transportation services include information and referral, independent living skills training, and relocation services from nursing home to home. Amarillo – Panhandle Independent Living Center provides classroom and field training to guide clients in the use of public transit in the Amarillo area. The center also maintains three accessible vehicles. While funding for these services has come from 5317 New Freedom and private foundation funds, their DOE funds provide infrastructure support. Coastal Bend CIL – Piloted a program in 2010 to use mobility management in a consumer-controlled voucher payment model to facilitate employment transportation to disabled persons who were not being serviced by existing transit options. Funds were provided by JARC with match from available residual legal funds (residual funds from a class action suit that cannot be distributed to class members or the intended beneficiaries for a variety of reasons) along with a grant to Workforce Solutions of the Coastal Bend to partner on the project. DOE funds supported the CIL's existing infrastructure. Vouchers issued to clients through this program

Source of Revenue	Description	Examples
		subsidize the fare paid by the client to the agency providing service, and would be considered fare by the performing agency.
Department of Agriculture	Rural Community Advancement Program Food Stamps (Employment and Training Services) Rural Business Enterprise Grants (RBEG)	RBEG funds may be awarded for rural transportation improvement and project planning. Any project funded under the RBEG program should benefit small and emerging private businesses in rural areas. Not aware of any Texas agencies receiving funds from this program for transit, but it is an eligible source: the Community Transportation Association of America (CTAA) has received two awards ($250K and $500K) to provide technical assistance to transit agencies.
Department of Housing and Urban Development	Community Development Block Grants (CDBG) provides communities with resources to address a wide range of unique community development needs and is often used to help support local transportation. Annual grants are provided on a formula basis to local government and states. (AARP Website, Funding Rural Public Transportation, 2012) Resident Opportunities and Self-Sufficiency (ROSS) Program http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/ross	Longview – $30K CDBG for bus shelters. Lower Rio Grande Valley Development Council (LRGVDC) – Has several CDBGs among its constituents, providing service in rural areas ($100K), to run JARC service in the city of McAllen ($149K) and providing services to Sullivan City and Hidalgo County precincts ($43K). Town of Flower Mound – An entitlement community for CDBG, receiving funds since 2002. Uses $20K of the grant to contract with Special Programs for Aging Needs (SPAN) to provide transportation services to elderly and disabled, serving approximately 10 clients per year. City of Lubbock – $170K CDBG provides paratransit services to qualified clients.
Veteran's Administration	Veterans Medical Care Veterans Transportation and Community Living Initiative	NET RMA – Received an award from the VA in Aug 2012 for $230,992. (46,198 toll credits were issued as match). **Other States:** New Jersey – Eight of 10 rural counties in NJ receive this type of funding; it is the second most utilized state resource for transportation.
Federal Highway Administration	The only DOT funds that can be used as local match for Section 5311 projects are from the Federal Lands Highway Program (49 USC 5311(g)). Public Lands Highways Discretionary (PLHD) Program	The PLHD program provides funding for transportation planning, research, and engineering and construction of, highways, roads, parkways, and transit facilities that are within, adjacent to, or provide access to Indian reservations and Federal public lands, including national parks, refuges, forests, recreation areas, and grasslands. PLH funds can be used for any type of Title 23

Source of Revenue	Description	Examples
		transportation project providing access to or within Federal or Indian lands and may be used for the State/local matching share for apportioned Federal-aid Highway Funds, as described in 23 USC 120(l). The program is administered by the Office of Federal Lands Highway. More information is available at http://flh.fhwa.dot.gov/programs/plh/discretionary/ A review of PLHD awards since 1998 did not reveal any program funding in Texas for transit projects.
General Revenues and Taxes		
General Revenues or General Fund	That fund into which the general (non-earmarked) revenues of a public entity (state government, local government, regional authority) are deposited and from which monies are appropriated to pay the general expenses of the entity. The monies available in the general fund are generally available to be used for most of the functions of the public entity without restrictions.	In Texas local government, the general fund is comprised mostly of sales and use taxes and property taxes, which can be allocated to support transit. Webb County – Webb County supports rural transit by allocating annually approximately $45,000 to the Webb County Rural Transit District. Fort Bend County – The county provides local share match for transit services in from the general fund (approximately $1.5 million annually). City of Lubbock – Provides more than $1.5M from general funds for transit (some 20% of total revenue). City of Galveston – Allocates $650K from general funds to transit (18% of total revenue). City of Amarillo – 100% of local match comes from the city's general fund, providing 28% of total revenue. City of Tyler – 99% of local match comes from the city's general fund, providing 23% of total revenue. City of Mesquite – 100% of local match comes from the city's general fund, providing 34% of total revenue.
Transit Tax	Sales tax which may be imposed and specifically dedicated to transit	Fort Worth Transportation Authority (The T) – Dedicated 0.5% transit tax will provide 7.2% of the $758M capital costs of the TEX commuter rail line from southwest Fort Worth to DFW Airport. (Additional local funding is expected from bonds and

Source of Revenue	Description	Examples
		vehicle capital lease proceeds, and this item is also listed in these sections.) Service is projected to start in late 2016. Eight other urban areas in Texas have approved a local option sales tax for a transit authority or transit department: • Austin: Capital Metropolitan Transportation Authority 1.0% • Corpus Christi Regional Transportation Authority 0.5% • Dallas Area Rapid Transit 1.0% • Denton County Transportation Authority 0.5% • El Paso Mass Transit Department 0.5% • Houston: Metropolitan Transit Authority of Harris County 1.0% • Laredo Transit Management, Inc. 0.25% • San Antonio: VIA Metropolitan Transit 0.5% Two Texas cities have dedicated a portion of their municipal sales tax for a specific transit purpose: Grapevine (for TEX commuter rail) 0.375% – In 2006, as part of a comprehensive municipal sales tax election, Grapevine voters approved 3/8¢ to be dedicated to the TEX commuter rail line, which will go through Grapevine. This tax will provide 7.2% of the capital costs for this project. San Antonio (for an Advanced Transportation District, or ATD) 0.25% – In 2004 San Antonio citizens voted to improve traffic, streets and public transit by creating an ATD. Half of the revenue goes to VIA ($25.6M in FY12-13).
Economic Development Taxes	Sales taxes which cities may impose for economic development, eligible to be used for transit	In Texas, Sections 4A and 4B of the Economic Development Act of 1979 authorizes Economic Development Corporations (EDCs) to be formed, and city voters may adopt either a 4A or 4B sales tax, or one of each, at a rate of up to 0.5 percent. Additional information is available at http://www.texasahead.org/tax_programs/typeab/. Colorado Valley Transit – Economic Development Corporations in Sealy and Bellville collect 4B Sales Tax, distributing $20K to CVT annually. LRGVDC – Edinburgh EDC collected 4B sales tax; ~$250K was used to purchase land for a transit center in Edinburgh that is planned for development.

<table>
<tr><th>Source of Revenue</th><th>Description</th><th>Examples</th></tr>
<tr><td colspan="3">User or Market-Based Sources</td></tr>
<tr><td>Toll Credits or Transportation Development Credits (TDCs)</td><td>States may apply the value of certain highway expenditures funded with toll revenues toward the required local match on current federal aid projects, including transit projects. A state may substitute toll credits for state match only if the state demonstrates that the prior year highway spending equaled or exceeded the average of the prior three years' expenditures.</td><td>East Texas Council of Governments (ETCOG): In August 2012, 46,198 toll credits were issued as match to a grant from Veterans Transportation and Community Living Initiative.

City of Lubbock/Citibus received 400,000 in January 2012 for a vehicle purchase and 175,000 TDCs in August 2012 for facilities. TDCs will also be sought for purchase of four hybrid electric buses and a multi-year renovation of the administrative facility.

City of Galveston: Interlocal agreement with Gulf Coast Center to operate park and ride services is funded in part with TDCs.

Texas TDCs are issued by the Texas Transportation Commission. TDCs were issued to the following agencies in December 2012:
<table>
<tr><th>Transit Agency</th><th>Project Type</th><th>TDC Award</th></tr>
<tr><td>Brazos Transit District</td><td>Facility</td><td>368,158</td></tr>
<tr><td>Conroe, City of</td><td>Shelter/Access</td><td>420,360</td></tr>
<tr><td>Capital Metropolitan Transportation Authority</td><td>Vehicle</td><td>600,000</td></tr>
<tr><td>Galveston, City of</td><td>Planning</td><td>48,000</td></tr>
<tr><td>Longview, City of</td><td>Facility</td><td>89,920</td></tr>
<tr><td>Lubbock, City of</td><td>Vehicle</td><td>400,000</td></tr>
<tr><td>Texoma Area Paratransit System, Inc.</td><td>Vehicle</td><td>846,000</td></tr>
<tr><td>Total</td><td></td><td>2,772,438</td></tr>
</table></td></tr>
</table>

There are other options in use in other states, but which are excluded by statute as revenue sources in Texas. Other sources are by definition suited or applicable only to urban areas. Still others may have a narrow window for application to transit, which has not been exploited in Texas to date. Examples of these types of revenue are listed for informational purposes on Table 2.

Table 2. Other Sources of Local Revenue for Transit

Source of Revenue	Description	Examples
General Revenues and Taxes		
General Sales and Use Tax	Sales tax is a tax on retail sales of tangible personal property and certain taxable services. This is a sale to the end user, i.e., the consumer of the product or service.	In Texas, these taxes are contributed to the general fund, which are widely applied to transit.
Property Tax *See also:* Vehicle Personal Property Tax	Property tax is the tax assessed on real estate by a local government. The tax is usually based on the value of property including the land. The property tax rate is often given as a percent (amount of tax per hundred currency units of property value). It may also be expressed as *per mille* (amount of tax per thousand currency units of property value), which is also known as a millage rate or mill levy. A mill is also one-thousandth of a dollar.	In Texas, these taxes are contributed to the general fund, which are widely applied to transit.
Income Taxes – Personal *See also:* Income Taxes – Corporate	An income tax is a tax levied on the financial income of a person. Individual income taxes often tax the total income of the individual (with some deductions permitted).	Not a local funding source in Texas.
Motor Fuels and Vehicle-Related Taxes and Fees		
Motor Fuels Taxes *See also:* Business Taxes (Oil Company Franchise Tax or Petroleum Business Tax) Excise Tax	Revenue options related to motor fuel taxes. Often referenced as "gasoline tax" or "gas tax" but generally refers to any type of motor fuel and may include related products such as oil and lubricants. Motor fuel excise taxes are levied as an incremental tax per unit of sales (gallon) and may be a fixed rate or an adjustable rate, which could vary with changes in motor fuel prices or other factors. The excise tax can be indexed to adjust to inflation. Existing federal and state gas	Not a local funding source in Texas. Must be used on highways in Texas. Florida – $52M in gas excise tax was used in FY10 contributed to State Transit Block Grants, providing state match to federal grants and discretionary grants. The formula is based evenly on population, ridership and revenue miles. Another $35M funded discretionary state grants. $5M funded discretionary grants for technical assistance, planning match and major transit studies. $13M funded paratransit services. California – State tax on diesel flows to transit agencies through the

Source of Revenue	Description	Examples
Sales Tax on Motor Fuel	taxes are examples of an excise tax on motor fuels. Sales tax on motor fuel is a percent tax on the value of the purchase. A sales tax can be levied in addition to an excise tax.	State Transit Assistance Fund/Public Transportation Account. On average, this source accounts for 25-40% of transit agency budgets. In rural Trinity County, it comprises only 9% of the budget.
Motor Vehicle Sales Tax Motor Vehicle Excise Tax	Vehicle sales taxes are normally levied as a percent of the sales price of a vehicle when it is purchased or first registered in a state. An excise tax is a tax levied on the purchase of a specific type of good or service. Generally, a motor vehicle excise tax is synonymous with a motor vehicle sales tax, but the use of the term sometimes refers to a fixed tax rather than a tax on the sale value. In other applications, an excise tax refers to a tax applied to the business as opposed to a sales tax to the consumer.	Not a local funding source in Texas.
Motor Vehicle Use Taxes and Fees Vehicle Registration, Tags Weight Fees Vehicle Use Fees License and Title Fees	Taxes and fees on the use of motor vehicles are commonly used to fund transportation. Vehicle taxes include registration and related fees. Vehicle registration fees vary by vehicle class. For light vehicles, many states have a flat fee, whereas other states base the vehicle registration fee on weight or a combination of weight, age, horsepower, and value. For heavy vehicles, most vehicle registration fees are based on weight or function to assess a fee for road or highway use. Vehicle registration fees are the primary mechanism to tax new residents the first time a vehicle is registered in a taxing jurisdiction. *See Vehicle Personal Property Tax.* License and title fees are another source of revenue generally generated by a transfer of ownership.	Not a local funding source in Texas. Florida –Motor vehicle fees make up the Transportation Disadvantaged Trust Fund, used primarily for paratransit and state mandated planning for services to disadvantaged. Vehicle fees are also used along with gas tax for State Transit Block Grants, state match to federal grants and discretionary grants.

Source of Revenue	Description	Examples
Inspection Fees Vehicle Personal Property Tax	Inspection fees are generally charged on an annual basis and can include fees related to vehicle class or weight. Some states and localities levy a personal property tax on vehicles. These fees are in effect registration fees based on the value of the vehicle. These fees have the strong advantage for vehicle owners in that they are deductible for those who itemize when filing for federal income taxes. Motor fuel taxes, traditional registration fees, and sales taxes which are often used to fund transportation are not deductible.	
Car Rental Taxes/Fees	Rental car taxes or car rental fees are additional levies attached to each occurrence of a car rental. This type of tax is incurred primarily by visitors to a region or to businesses that make extensive use of car rentals.	Not a local funding source in Texas. Wisconsin – Milwaukee used car rental taxes to fund a study to make recommendations about local mass transit options. Arkansas – 90% of the $1.5M in state funds allocated for rural systems comes from the rental car tax. (FY10) Pennsylvania and Florida – Dedicate a portion of rental car taxes for transit Sound Transit, Seattle – Car rental tax for transit Indiana, Kentucky, North Carolina and Wisconsin – Permit local option rental car taxes to support transit.
Vehicle Lease Fees/Taxes	Fees applied to vehicles when leased or leased for purchase. The fee may take form of a sales tax on the monthly lease payment.	In Texas, ad valorem taxes on leased vehicles are contributed to the general fund. Not a direct local funding source in Texas.

Source of Revenue	Description	Examples
User or Market-Based Sources		
Tolls/User Charges	Tolls are user fees paid for access to a road, bridge, or special lane and are applied per use.	This method is not used to fund transit in Texas at this time.
Congestion Pricing	Congestion pricing is a system of surcharging users of a transport network in periods of peak demand to reduce traffic congestion. Examples include pricing or tolling road, bridge or tunnel use and fees to access busy activity centers.	This method is not used to fund transit in Texas at this time.
Vehicle Miles Traveled (VMT) Fees or Mileage-based User Fees (MBUF)	Fees assessed per vehicle based on the road miles it travels. Such fees are currently being studied as a possible method to fund transportation investments.	This method is not a funding source available in the U.S. at this time.
Emissions Fees	Emissions fees are based on the amount of pollutants released by a specific vehicle. Broader applications of this type of approach are referred to as "carbon fees" that apply to a broader definition of business and uses.	Under chapter 451 of the Texas Transportation Code, a metropolitan rapid transit authority could call for an election of the voters to approve a motor vehicle emissions tax. To date, no authority has used this type of tax to fund transit. In the early 1970s voters in Houston turned down a proposal to fund transit using a vehicle emissions tax.
Business Activities		
Employer/Payroll Taxes	Employer taxes are generally the tax imposed directly on the employer for the amount of the gross payroll.	Not a local funding source in Texas. Oregon – A 0.6% payroll tax is collected from most employees in the Portland and Eugene regions to help finance transit services.
Gross Receipts Tax	A gross receipts tax, sometimes referred to as a gross excise tax, is a tax on the total gross revenues of a company, regardless of the source. A gross receipts tax is similar to a sales tax, but it is levied on the seller of goods or services rather than the consumer.	Deposited in the General Revenue fund. Not a direct local funding source in Texas.
Income Taxes – Corporate *See also:* Income Taxes – Personal	An income tax is a tax levied on the financial income of a corporation or other legal entity. When the tax is levied on the income of companies, it may be called a corporate tax, corporate income tax, or profit tax. Such taxes often tax net income (the difference between gross receipts, expenses, and additional write-offs).	Not a local funding source in Texas.

Source of Revenue	Description	Examples
Corporate Franchise Taxes Oil Company Franchise Tax Petroleum Business Tax Long-lines Tax	A franchise tax is a business tax levied on the profit and taxable assets of a company. Franchise taxes may be levied on specific industries and economic activities, such as oil companies or companies in the business of wholesale petroleum products. A "long-lines tax" is a franchise tax on transportation/ transmission companies.	Not a local funding source in Texas. Arkansas – 10% of the $1.5M in state transit funding for rural systems comes from a state corporate franchise fee. (FY10)
Business License Fees	Business license fees are paid to the state or local government for the privilege of being licensed to conduct business.	Deposited in the General Revenue fund. Not a direct local funding source in Texas.
Utility Taxes/ Fees	A utility tax is levied on public services and businesses. Utility fees are taxes on public services such as cable, telephone, electricity, gas, sewer and water, and garbage. The tax may be levied directly to the user, or may be charged to the business that in turn assigns the cost to the user.	Deposited in the General Revenue fund. Not a direct local funding source in Texas.
Mortgage Recording Taxes/Realty Transfer Fees	A mortgage recording tax is a tax on debt secured by certain mortgages on property in a taxing jurisdiction. A mortgage tax may also be a tax for improvements of residential structure.	Not a local funding source in Texas.
Documentary Stamp Tax	A documentary stamp tax is levied on documents such as deeds, bonds, notes, and written obligations to pay money or on mortgages, liens, and other evidences of indebtedness.	Not a local funding source in Texas. Florida – Uses documentary stamp tax of $13M in FY10 (up from $2M in FY09) to fund State New Starts program which provides up to half of the nonfederal share of transit new starts projects.
Hotel Room/Occupancy Tax	A room or occupancy tax refers to a consumer charge on lodging at hotels, rooming houses, campgrounds, etc. Typically referenced as hotel/motel taxes.	In Texas a local hotel occupancy tax (HOT) tax may be assessed only to promote tourism and the convention and hotel industries, and that use is limited to specific projects or purposes. Among these, HOT revenue may be allocated for transportation to tourist attractions. Not aware of any Texas agencies receiving HOT funds for transit. The State of Texas Comptroller's Office offers additional information and a webinar on the Local Hotel Occupancy Tax at http://www.texasahead.org/tax_programs/hotel/index.php.

Source of Revenue	Description	Examples
Personal Activities		
Lottery Revenue, Casinos	Revenues generated by taxes on permitted gambling businesses or revenues earned from government-sponsored lottery programs.	Not a local funding source in Texas. New Jersey: Since 1984, 8.5% of the state's Casino Revenue Tax has funded NJ's Senior Citizen and Disable Resident Transportation Assistance Program (SCDRTAP); 85% of the funding is distributed among the 21 county providers and 15% is reserved for special projects; this program is a major source of revenue for all 21 counties. The casino tax is also the primary source for the NJ Division of Vocational Rehabilitation Services (DVRS) mobility funds, utilized by Hunterdon County to provide transportation to sheltered workshops. Pennsylvania: The state dedicates a percentage of lottery revenues to a free transit program for persons over 65 years old traveling in off-peak hours.
Cigarette Tax	A cigarette is a tax per pack or carton of cigarettes when purchased.	Not a local funding source in Texas.
Liquor Tax	A liquor tax is a sales or excise tax on imposed on liquor based on some combination of alcohol content, price, and volume.	Not a local funding source in Texas.
Revenue Streams from Transit Projects		
Transit-Oriented Development/Joint Development	Transit-oriented development is a mixed-use development that is close to and well-served by nearby transit that is conducive to transit riding. Joint development refers to the opportunity to generate a new funding stream for transit from the value to private businesses, developers, and real estate owners in proximity to transit services and the expected or planned mix of uses typically associated with transit oriented development. *(14)*	North Central Texas Council of Governments (NCTCOG) has two TOD development plans – one completed in Richland Hills and one underway in Burleson. Burleson plans include initial bus service and a station that has the flexibility to be converted to a commuter rail station when demand and demographic thresholds are met and funding is available. The project will include recommendations to encourage pedestrian and bicycle access in addition to vehicle travel to the station. The Richland Hills TOD plan identifies short- and long-term sustainable development strategies that can be implemented in and around the Richland Hills Trinity Railway Express (TRE) station. The plan includes an evaluation of the best methodology for the mixed-use re-zoning of the property surrounding the TRE Station. The study also includes an evaluation of economic investment strategies such as Public Improvement Districts (PID), Tax Increment Reinvestment Zones (TIRZ), and Neighborhood Empowerment Zones

Source of Revenue	Description	Examples
		(NEZ). Special emphasis was placed on the sustainable development of the Handley-Ederville corridor, which connects to the TRE Station, and the intersection of State Highway 121 and Handley- Ederville Road. A key goal in the study was to develop a plan to sustainably develop the industrial park surrounding the station to include high-end business and residential tenants.
Beneficiary Charges	Beneficiary charges are a special category of property taxes that are targeted to capture the benefits or costs of infrastructure that serves property development. The categories of revenues such as value capture and impact fees are types of beneficiary charges.	
Value Capture	Value capture attempts to capture some of the increase in value due to the improvement that benefits the properties impacted. Revenues are generated based on the increment in property taxes as a result of the improvement.	A 2010 Government Accounting Office (GAO) study of existing value capture usage in transit agencies found that joint development was the most commonly used strategy but that, even in agencies that utilized it extensively, joint development revenues represented only 1% of overall operating expenses.
Impact Fees	Impact fees consist of one-time charges to developers on new development. Revenues from impact fees typically are used to pay for infrastructure improvements resulting from growth generated by new development.	
Special Assessment Districts	Assessment districts are special taxing districts where the cost of infrastructure is paid for by properties that are deemed to benefit from the infrastructure. These assessments can be applied to the full value of the subject property, or use a Tax Increment Financing technique (see next item).	
Tax Increment Financing	Tax Increment Financing (TIF) is a technique in which bonds are issued to finance public infrastructure improvements to revitalize a blighted urban area. The bonds are repaid with dedicated revenues from the increment in property taxes as a result of such improvements.	The Texas Tax Increment Financing Act (1987) provides for the formation of Tax Increment Reinvestment Zones (TIRZ). City of Irving – Created a TIRZ for Las Colinas and completed an interlocal agreement with DART light rail for service to Las Colinas Urban Center, linking Texas Stadium, the University of Dallas, Downtown Dallas and DFW. Carrollton – Established a TIRZ in January 2006 to help fund

Source of Revenue	Description	Examples
		infrastructure improvements needed for future redevelopment within two of Carrollton's three DART rail stations. More information is available in the following reports: • ABCs of TIF (July 2005, Texas A&M Real Estate Center) http://recenter.tamu.edu/pdf/1736.pdf • Tax Increment Financing (TIF) Best Practices Study, (Sept 2001, UT El Paso Institute for Policy and Economic Development http://digitalcommons.utep.edu/cgi/viewcontent.cgi?article=1020&context=iped_techrep.
Community Facility Districts (Community/Business Improvement Districts or Transit Development Districts)	Community facility districts are creative funding mechanisms for infrastructure projects where residential and commercial property owners are charged an annual fee for the benefit of infrastructure in the area. Community facility districts seem suited to regional projects and programs as they are not tied to a specific facility as is the case with other beneficiary charges.	Arlington Entertainment Area Management District (AEAMD) – A local government entity created under state law in 1995, AEAMD is legally and functionally separate from any other governmental unit, with its own office and governing body. While it works in cooperation with the City of Arlington, it is not a department or arm of the city government. AEAMD manages the Arlington Trolley, financed by an assessment of $1.90 per occupied room night against the hotel properties within the District that benefit from the trolley services. Guests staying at one of 23 participating hotels show a hotel key and do not pay a fare to ride the trolley, which runs between District hotels and several entertainment/visitor venues. Most, if not all, hotels in the District recoup the assessment by charging guests a $1.90/night entertainment district fee.
Right-of-Way Leases	Linear rights-of-way owned and maintained by transit agencies providing fixed guideway services (rail) have the ability to generate revenues for rights of access. In addition, there may be growing opportunity to use the rights-of-way for development of cable and fiber-optic networks.	
Air Rights	Similar to linear rights-of-way, revenues can be generated by leasing the space over transit rights-of-way for private development based on long-term lease agreements.	Dallas – DART purchased land from the city in the 1980's that included air rights. The land eventually became home to a sports and entertainment arena, and the area included plans for a light rail station. DART negotiated with a developer to retain rail right-of-way and to sell air rights based on 55% of the property value, bringing DART ~$450K, which is used to support system expansion and operations.

Source of Revenue	Description	Examples
Financing Mechanisms *(13, 15)* *Note: Some of these financing mechanisms may require authorization by the state legislature or a state agency and may require an initiative by local government including a voter referendum. The scope of this study did not include legal research to verify eligibility in Texas.*		
Bonds	Bonds for capital projects can be issued by municipalities, counties, states, and special districts serving public purposes (if authorized by statute). General obligation bonds are generally long-term and are repaid with interest from the general revenues of the issuing jurisdiction. Revenue bonds are secured by a specific tax or revenue source.	Fort Worth Transportation Authority (The T) – Plans are underway for the TEX commuter rail line from southwest Fort Worth through Grapevine and into DFW Airport. Bonds from Tarrant County are expected to provide 2.6% of the funding. (Additional local funding is expected from vehicle capital lease proceeds and sales taxes dedicated to transit, and this item is listed in these sections.) Service is projected to start in late 2016.
Capital Leases	Capital leasing is a routine way of financing capital equipment. Grantees may use Federal funds for capital assistance for up to 80 percent of the cost of acquiring transit assets by lease. A capital lease can be used to purchase capital equipment – such as vehicles – or it can be used to purchase a combination of capital and maintenance services – such as chassis rebuilding and engine/drive train replacement. Transit agencies use cost-benefit analysis to decide whether to lease or buy.	Fort Worth Transportation Authority (The T) – Plans are underway for the TEX commuter rail line from southwest Fort Worth through Grapevine and into DFW Airport. Vehicle capital lease proceeds are expected to provide 10.9% of the funding. (Additional local funding is expected from bonds and sales taxes dedicated to transit, and this item is listed in these sections.) Service is projected to start in late 2016. More information on capital leases can be found at http://www.fta.dot.gov/grants/12865.html.
Grant Anticipation Notes (GAN) Grant Anticipation Revenue Vehicles (GARVEE)	GANs are a type of debt that is incurred based on a pledge of funds from future federal or state grants. GARVEEs are like GANs but have been largely restricted to financing highway improvements.	Not a local funding source in Texas.
Revenue Anticipation Notes (RAN)	Revenue anticipation notes are similar to revenue bonds that rely on specific taxes or stream of revenue for repayment. Generally thought of as shorter term.	Not a local funding source in Texas.
Private Activity Bond	Private activity bonds are a special category of borrowing that may be tax-exempt if certain conditions are met. Private activity bonds involve and invite the private sector into projects that serve specific public purposes where project implementation and management skills may provide advantages for the public	Not a local funding source in Texas.

Source of Revenue	Description	Examples
	sector. The use of private activity bonds are subject to strict limitations under federal law. *(15)*	
Certificates of Participation	Certificates of participation are tax-free securities that represent the right to purchase a future stream of revenue made up of lease payments for equipment. Essentially the concept is to acquire capital through leasing instead of making a large capital purchase.	Not a local funding source in Texas.
Tax Credit Bonds	Tax credit bonds allow bondholders to receive a credit against their federal income tax liability instead of cash interest. There is some industry speculation that this type of financing might be a part of the 2009 authorization of the federal transportation bill.	Not a local funding source in Texas.
State Infrastructure Bank (SIB) Loans	SAFETEA-LU authorized every state to set up a SIB that can manage a revolving loan fund, provide credit or issue bonds capitalized with seed money from federal and state sources. MAP-21 made no change to the SIBs provisions.	A SIB is a revolving fund that is established and operated by a State (usually by a State DOT). It has the capacity to offer direct loans and various types of credit enhancement products to surface transportation infrastructure projects. Federal and State funds are used to capitalize the SIB. A percentage of Federal funds are transferred from specific modal accounts, and these funds are matched with State money in a prescribed ratio. In Texas, SIB loans have only been extended to road projects.
Transportation Infrastructure Finance and Innovation Act (TIFIA)	TIFIA eligible surface transportation projects, including highway, transit, intercity passenger rail, some types of freight rail, and intermodal freight transfer facilities. The program is designed to fill market gaps and leverage substantial private co-investment by providing projects with supplemental or subordinate debt, rather than grants.	The TIFIA credit program may provide to States, localities, or other public authorities, as well as private entities undertaking projects sponsored by public authorities, three types of financial assistance: • *Secured loans* are direct Federal loans to project sponsors offering flexible repayment terms and providing combined construction and permanent financing of capital costs. • *Loan guarantees* provide full-faith-and-credit guarantees by the Federal Government to institutional investors, such as pension funds, that make loans for projects. • *Lines of credit* are contingent sources of funding in the form of Federal loans that may be drawn upon to supplement project revenues, if needed, during the first 10 years of project operations.

Source of Revenue	Description	Examples
		MAP-21 significantly increases funding available to TIFIA program (from a max of $121M under SAFETEA-LU to up to $750M in 2013 and up to $1B in 2014). MAP-21 also newly authorizes "master credit agreements," under which DOT may make a contingent commitment of future TIFIA assistance (subject to the availability of future funding) for a program of projects secured by a common revenue pledge. While transit programs are candidates for TIFIA loans, TIFIA funding has and likely will continue to be skewed heavily towards funding for roads. More information is available at the following websites: • http://www.fhwa.dot.gov/map21/tifia.cfm. • http://www.thetransportpolitic.com/2013/02/13/tifia-loans-likely-skewed-towards-new-road-projects/ • http://dc.streetsblog.org/2012/10/16/five-factors-that-will-determine-whether-tifia-benefits-transit/ • http://www.agc.org/galleries/events/TIFIAPresentation.pdf
Lease-Back Agreements	This financing mechanism was popular between the late 1980s and 2003, when tax laws were changed to discourage such transactions.	No longer a local funding source in Texas.

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Frequently Asked Questions (or for clarification purposes):

Lease/Sales Revenue (clarification)

In reference to "sale of capital assets more than $5000:

Revenues generated from Leases and Sale of Assets can be used as local share so long as the lease or sale of an asset is not Program Income. The following are Excerpts from FTA Circular 5010.1D and the Common Rule that provides a clear definition of what is considered as Program Income. However, if a grantee is unsure if revenues from an activity qualifies as program income, we recommend seeking guidance from FTA.

Highlights:

Program income means:

(1) gross income received by the grantee or sub-grantee directly generated by a grant supported activity, or

(2) earned only as a result of the Grant Agreement during the grant period (the time between the effective date of the grant and the ending date of the grant reflected in the final financial report).

FTA allows its grantee to keep program income and use it for capital and operating expenses. Program income may not be used to reduce the local share of the grant from which it was earned, but may be used in future grants.

There are no Federal requirements governing the disposition of program income earned after the end of the grant period

Is there an inventory of all Private Providers?

The Charter Bus Service database can be found on the U.S. Department of Transportation, Federal Transit Administration website at www.fta.dot.gov under the heading of **Top Requests**, click on Charter Bus Service or http://www.fta.dot.gov/about/15740.html

How do you qualified and document In-Kind contributions/volunteers/drivers as a source of local match?

- In Kind – Local Vendors
  - Annual letter of agreement from vendor with a description of the contribution
  - Then – Invoice with actual donation
- In Kind Documentation – FTA approval of TxDOT Form PTN – 143 (rev. 1/13) FY 14
  - http://www.txdot.gov/inside-txdot/forms-publications/forms/public-transportation.html
- Anything that is being provided at no direct cost to Texas Transportation Provider
- Relationship to the program In Kind supported each month
- Value of volunteer time can be found at Volunteering
  - https://www.independentsector.org/volunteer_time

Do "Free Fares" for health care escorts qualify as Match Funding?

No. Fares are never eligible as match. Fares are operating income. Fares are subtracted from total operating cost to calculate operating deficit, and FTA 5307/5311 federal funds reimburse up to 50% of the operating deficit. Effectively "free fare" is not subtracted from operating deficit, meaning the transit provider can ask for 50% reimbursement of the value of the equivalent fare.

Can an organization with 'overmatch' funds, or more Match Funds than needed for their projects, can they transfer funds to other units?

The FTA grant program is a reimbursement based program. A transit provider has to match the dollars requested for reimbursement from the federal programs. If the transit provider has more match that required to match the request for reimbursement (for example, from local government funds or proceeds from contracted services), the funds maybe be placed in a "reserve account" and applied in a later year. If a transit provider wishes to apply the non-federal/state transit funds for other functions, not transit related, that is a local decision, but then the funds are not available to use as match in another year. [State funds for transit are eligible to use as a match for federal funds, and must be applied to eligible transit expenses.]

Can Exxon or other fuel providers' *rebates* on gas purchases considered gifts or donations? Are culminated dollars at the end of a month a gift or donation?

The rebate is neither a gift nor a donation. If a transit provider receives a rebate for fuel purchases, the rebate is a reduction in the cost of the fuel. The transit provider simply reports a lower cost for the fuel (fuel purchase less the rebate = reported cost of the fuel).

Examples Of Local Funding Options

The following vignettes were prepared to provide further descriptive of several local funding options utilized by transit providers and their partners.

PARTNERING WITH LOCAL EMPLOYERS: AN INNOVATIVE STRATEGY FOR GENERATING FARES TO IMPACT LOCAL MATCH

Transit fares are not eligible as matching funds to federal transit dollars, but they have a significant impact on the amount of local match an agency must contribute. Match is based on an agency's operating deficit, and fares work to decrease the deficit. Therefore, the more fares an agency generates, the lower its match requirement. For this reason, fares should not be overlooked as a component of a successful strategy for generating local match.

Bulk Transit Pass Programs

Revenue generated from the sale of bulk transit passes is considered fare revenue, and some agencies devote staff time to developing and marketing programs to businesses for employee bulk transit passes. Such efforts directly impact ridership and fare revenue and may also have indirect impact: employees who become familiar with using public transit for work may be more likely to ride the bus at other times, too.

What's more, agencies developing bulk pass programs for employers may find businesses extremely receptive. According to findings in the national 2007 Commuter Impact Survey conducted by TransitCenter, Inc., concerns over high fuel and commuting costs are significant and represent "an ongoing contributing factor in employers' decisions to add pretax commuter benefits in order to reduce the financial pressures their employees face." The survey indicated an overall increase in employee benefits being added to companies' packages with a particularly significant increase in the planned adoption of pretax commuter benefits. In fact, pretax commuter benefits programs emerged as the number one benefit companies planned to add in the coming year.

This article reviews one agency's strategies for increasing fares through targeted marketing of bulk passes, reviews the tax benefits of such programs, and offers additional resources for transit agencies interested in developing transit initiatives with employers.

TARC — Louisville, Kentucky

The Transit Authority of River City (TARC) provides public transportation in the greater Louisville, Kentucky, area with bus routes in three Kentucky counties and two Indiana counties. TARC services include fixed routes, express routes, paratransit and "Park-and-TARC" lots.

TARC Means Business

TARC has developed an array of services in its TARC Means Business program that are marketed to employers on the TARC website (see Figure 1). The program is designed to make it easier and less costly for a company's employees to get to work. TARC has a corporate accounts coordinator who works with employers to design custom programs to distribute bulk passes at a discount to their employees. Programs include employer-paid, employee-paid and shared cost options. TARC also offers services to educate employees on transit, including transit fares and individual trip planning, and provides maps, schedules and brochures.

Employer-Paid Options

TARC works with employers and organizations to customize programs that offer employees unlimited trips, with costs supported entirely by the employer. Two of these bulk pass options are I.D. as Good as Fare and monthly passes.

Figure 1. Marketing piece for the TARC Means Business program
Source: http://www.ridetarc.org/partnerships/

I.D. as Good as Fare

Employees show an authorized employee identification card at boarding. Programs like this can be designed to charge the business per ride taken, or charge a negotiated bulk rate based on the anticipated volume. Businesses such as the University of Louisville (for students, faculty and staff), Louisville Metro Government and Humana Hospital participate in this program.

Humana's program was implemented as a way to reduce parking demands and respond to employees' desires to reduce vehicle emissions and save on gasoline costs. Humana's costs are offset by company savings resulting from providing fewer subsidized parking spaces. The company-transit partnership has garnered extensive positive media coverage and enabled Humana to position itself as a leading employer in Louisville and all the markets where it does business.

Monthly Passes

Employers can purchase any number of TARC monthly passes to distribute to employees. TARC negotiates a discount off the purchase price of the pass based on the volume of passes purchased.

Employee-Paid Option

Employers can facilitate a money-saving transportation benefit for employees by establishing a pre-tax payroll deduction program. In this program, participating employees purchase their own monthly TARC passes, and the deduction (within allowed limits) is treated as a salary reduction for federal income tax, Social Security tax and Medicare tax purposes. Employers can structure the program so that an employee can elect to participate at any time, or enrollments can be limited to certain times of the year.

Shared Cost Option

Employers and employees can share the cost of TARC passes. TARC allows the employer to determine the ratio of the split.

Other Ways to Save

TARC also offers other transportation solutions to employers to supplement transit pass programs.

The Ticket to Ride Vanpool program can help organize a group of coworkers who live near each other and work similar schedules to share a ride in a van to and from work.

The Guaranteed Ride Home program provides transit riders an option in case of emergency. An employee can pre-register for this program and be guaranteed a ride home by cab in an emergency, with the fee reimbursed.

Tax Benefits

Employers and employees can derive tax benefits from the cost of eligible transportation costs, including bulk passes, vanpooling and work-related parking costs. The Qualified Transportation Fringe Benefit program (governed under Section 132[f] of the Federal Tax Code) provides for these tax incentives.

The maximum benefit allowance fluctuates with legislation. The current monthly allowance is $245 for mass transit and an additional $245 per month for parking, with the transit benefit (but not the parking benefit) scheduled to decrease to $125 at the end of 2013. In June 2013, legislation was introduced to adjust these amounts and bring the two benefits to permanent parity.

Employer Benefits

Employers are exempt from payroll taxes for Social Security and Medicare on the eligible amounts, whether paid by the employer or set aside pre-tax by the employee. Costs paid by the employer are also deductible as an employer-provided benefit from the employer's gross income.

More information on employer tax incentives, including transportation and commuting benefits, is available in the Internal Revenue Service (IRS) *Publication 15-B: Employer's Tax Guide to Fringe Benefits*, available at http://www.irs.gov/pub/irs-pdf/p15b.pdf.

Employee Benefits

For the employee, the IRS allows commuter benefits provided by an employer, employee costs paid via payroll deduction, or a combination of the two to be provided tax-free. Eligible amounts are exempt from withholding, not reported as taxable wages on the employee's W-2 form, and not subject to federal income or payroll taxes. It is important to note that employees can only receive the tax benefit by participating in their employer's payroll deduction plan; it is not a deductible expense on personal income tax returns.

Other Resources

The Community Transportation Association of America (CTAA) offers the Transportation to Work Toolkit for the Business Community on its website at http://ctaa.org/transportation_to_work. Designed to inform employers as they develop transportation solutions for their employees, the toolkit can also help a transit agency develop strategic

transportation initiatives that meet the needs of employers in their area. Among the resources in this toolkit are:

- Success Stories of Employer-Sponsored Transportation Programs, http://www.ctaa.org/webmodules/webarticles/articlefiles/SuccessStoriesEmpTranspPrograms.pdf.
- Fact Sheet #13, Guaranteed Ride Home Programs, http://web1.ctaa.org/webmodules/webarticles/articlefiles/13_GuaranteedRideHomePrograms.pdf.
- Fact Sheet #9, Transportation Vouchers and Transit Passes, http://web1.ctaa.org/webmodules/webarticles/articlefiles/TranspVouchersPasses_9_2013.pdf.
- Fact Sheet #6: Tax Incentives for Businesses, http://web1.ctaa.org/webmodules/webarticles/articlefiles/Factsheet6.pdf.
- Fact Sheet #2: The Power of Partnerships, http://web1.ctaa.org/webmodules/webarticles/articlefiles/2_PowerOfPartnerships.pdf.

Other resources include the following:

- Current rates for the Qualified Transportation Fringe Benefits program are on the IRS website at http://www.irs.gov/uac/Qualified-Transportation-Fringe-Benefits-under-ARRA.
- TransitChek, a company offering computer benefits program management services to employers, offers calculators for employers to determine how much savings can be realized when they offer commuter benefits to employees. TransitChek's website (http://www.transitchek.com/) can be used to help engage employers in an agency's transportation programs.

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GENERATING COMMUNITY SUPPORT AND LOCAL MATCH THROUGH A VARIETY OF CONTRACTED SERVICES

A valuable source of local match involves service contracts with local agencies, employers, universities and other community enterprises interested in providing public transit services to their constituents. Such services benefit the transit agency in several ways: they boost ridership both directly (as trip generators) and indirectly (providing additional visibility of the buses in the community), and they provide a source for local matching funds.

While one service contract may not be a significant source of match, many agencies piece together a number of contracts that together create a fairly stable platform for additional funding. This article reviews successful strategies employed by agencies of different sizes, including Central Texas Rural Transit District's City and Rural Rides (CARR) and Special Programs for Aging Needs (SPAN).

The Central Texas Rural Transit District serves 11 counties across 11,000 square miles in north central Texas. The district operates City and Rural Rides (CARR), and its service contracts for 2012 yielded just under $100,000 in local match, along with $4,600 in fares.

Head Start

An agreement was developed with a local Community Action Agency, which operates Head Start services. CARR initially provided service in multiple counties, but due to funding limitations for the program, CARR now only operates in one county. The contract yielded over $29,000 in 2012.

Transit Funded by University Student Fees

Howard Payne University (HPU) — a four-year, private university in Brownwood serving about 1,400 students — approached CARR in 2010 to develop a shuttle bus circulating on the main campus and connecting to its satellite campus. CARR piloted service with local funds for a driver and one vehicle that operated for seven weeks in spring 2010; its success led to a $30,000 service contract with HPU beginning in fall 2010. The Stinger Shuttle–branded service is funded with HPU's student parking and transportation fee. No fare is charged, and the public may also ride the buses. Data for the 2010–2011 school year show averages of 55 riders a day during the fall semester and 40 riders a day during the spring semester. For the current school year, the program has continued to stay strong. With a

capacity to seat 21 passengers and the possibility of additional riders holding handrails in the aisles, there have been times when buses were completely full. This source of funds for CARR is stable, and the partnership with HPU is solid. Dr. Brent Marsh, vice president for student life and dean of students at HPU, states, "We appreciate CARR's willingness to partner with HPU to provide this opportunity for students. The staff at CARR have been great to work with."

University-Funded Shuttle Service

CARR used Job Access and Reverse Commute (JARC) funds to pilot a shuttle bus program at Tarleton State University for one semester. While ridership during the pilot did not warrant continuation of the service, Tarleton State is now negotiating an agreement with CARR to pay 50 percent of the cost for 10 days of service during the summer term from university funds. CARR will match Tarleton State's contribution to JARC funds to provide service. In both cases of working with universities, CARR has not charged the university for the pilot service. In each case, CARR's investment has resulted in development of a trip- and revenue-generating contract that can be used as local match. These types of small, experimental agreements can develop into a stable source over time.

Service Coordination Agreements

Janie Clements Industries (JCI) and Aldersgate Enrichment Center (AEC) agreements were derived from coordination among not-for-profit organizations receiving 5310 Elderly and Disabled Program capital grants. Both of these entities had received 5310 funding many years ago for vehicles. When funding was no longer available for vehicle purchases, each approached CARR to provide service to their constituents.

JCI funding for 2012 was over $17,000, and AEC provided nearly $12,000. Both of these sources have been stable.

Janie Clements Industries is a mental health and mental retardation (MHMR) agency that assists individuals with disabilities with job training and finding employment. JCI also works with 12th grade students with disabilities, helping them transition from high school and training them for specific jobs in the workforce. JCI serves seven counties, four of which are served by CARR's regular transit services.

The Aldersgate Enrichment Center is a faith-based non-profit organization that provides vocational and residential services to adults with special needs who are unable to function independently in the community. AEC serves approximately 72 adults, with 21 living on the campus located near Early, Texas, in Brown County.

In 2009, the Workforce Center of Abilene entered into an agreement with CARR to provide transportation for Workforce Center clients, committing $60,000 to match CARR's JARC program. CARR bills the Workforce Center monthly for transit services provided to Workforce Center clients, which is applied against their balance. While the funding is stable, the contract will end when funds are exhausted. Billings in 2012 were just under $5,000.

Private Company Agreement

Medical Transportation Management (MTM) is a private out-of-state organization that covers Medicaid trips for the CARR service area. Trips are set up similarly to CARR's medical transportation program and billed monthly. MTM initiated discussion with CARR to provide the service. The company sends requests for service to CARR via fax, and CARR provides the billing online. Billings for 2012 were approximately $3,000 and are stable.

Contract for Fares

While fares are not a means of generating matching funds, they do lower the local match requirement, and thus contracts for fares are beneficial to an agency's local matching scheme. CARR's agreement with Erath County Senior Citizens began several years ago when CARR began providing service in Erath County. The local Senior Citizens Center pays for trips for its constituents to travel within Stephenville, Texas. The contract yielded $4,600 in 2012 and is a stable source for CARR.

SPAN
Special Programs for Aging Needs

Special Programs for Aging Needs (SPAN) is a private, non-profit organization established in 1974 to provide services to senior citizens in Denton County. In addition to coordinating a daily meals program at six centers in Denton County, SPAN delivers meals to seniors confined to their homes and provides transportation and other services. Funding for SPAN's programs comes partially from federal and state grants, but SPAN relies to a great extent on its relationship with local communities and individuals for support.

Over the past five years, staff at SPAN has actively worked to develop a number of contracts with agencies and cities in or near its service area to provide transportation services to niche markets. Most of the services qualify as contracts for services and are therefore eligible as local sources for match. Pursuing a variety of contracts — ranging from $1,000 to more than $30,000 per year — has allowed SPAN to accumulate more than $80,000 in matching funds.

Innovative Outcomes Contract ($19,032 in FY2012)

SPAN has contracted with a local disabled home to provide employment transportation to individuals who reside outside of SPAN's service area. At the time of contract development, the Denton County Transportation Authority did not provide transportation to employment sites in Carrollton, Texas, so SPAN was able to provide the transportation service for a contracted rate. The contract has been stable for the last five years.

North Central Texas College (NCTC) Life Skills Contract ($16,917 in FY2012)

The NCTC contract with the Town of Flower Mound provides a group of disabled students residing in Flower Mound, Texas, with transportation to the Life Skills Program held on the NCTC campus. This contract has remained stable for approximately five years.

Town of Flower Mound Contract ($33,179 in FY2012)

The Town of Flower Mound sought a provider of demand response transportation to elderly and disabled residents for authorized trip types. The contract has remained stable for approximately

three years, but continuation is contingent on SPAN being the lowest cost provider for the service.

Department of Assistive and Rehabilitative Services (DARS) Contract ($1,057 in FY2012)

DARS sought this contract with SPAN beginning in 2010 to provide employment transportation for a single DARS client who lives in Corinth, Texas. The City of Corinth does not provide financial support for public transportation. This contract is an example of a service that meets a specific but small need, yet it is still worth pursuing because it provides goodwill and visibility for the agency. It could also lead to more contracts as DARS client needs expand or as other human service agencies hear of this service.

Access2Care Contract ($1,967 in FY2012)

The Access2Care contract with a Medicare Advantage Transportation Broker provides medical transportation to qualified individuals as determined by Access2Care. Continuation of the contract is contingent upon Access2Care maintaining its status as a Medicare Advantage Broker for the State of Texas. The contract has remained stable for three years.

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CHARTER REVENUES AS LOCAL MATCH: FTA REGULATIONS AND PERMISSIBLE EXCEPTIONS

Certain exceptions allow transit agencies to provide charter service and use revenues earned as local match. Agencies that want to provide charter services should refer to the federal policy published in 49 CFR Part 604. The Texas Department of Transportation's (TxDOT's) guide, *FTA's Charter Regulations 49 CFR Part 604: A Compliance Guide for Texas Public Transit Systems* (October 2009 revision), also provides guidance on this topic to Texas transit systems.

TxDOT recommends that the following groups read and understand the TxDOT charter manual:

- public transit agencies, regardless of whether or not they intend to provide charter services;
- organizations involved in coordination projects that intend to expand their scope of service to include public transportation services;
- specialized transportation providers using Section 5310–funded equipment that transport people other than their own clients on field trips;
- private charter operators; and
- human service agencies that contract for transit services with a transit agency and have periodic need for charter services on behalf of their clients.

Federal Transit Administration (FTA) Restrictions

Federal law restricts FTA recipients from operating charter service. Noted exceptions and exemptions are discussed in greater detail below. FTA has issued various regulations regarding charter activities, with the most recent changes taking effect in 2008 (see *Federal Register,* Vol. 73, No. 9, January 14, 2008, beginning on page 2345). The TxDOT publication covers these changes in depth.

Definition of Charter Service

What Are the Components of Charter Service?

1. A third party arranges and negotiates a price for the service. The arrangement does not have to be in writing.
2. The group acquires the exclusive use of the vehicle.
3. Transportation is by bus or van, including all public transit vehicles, or replica trolley vehicle.
4. The service is not part of the transit provider's regularly scheduled service.
5. Service is offered for a single trip or for a limited amount of time.
6. The group has specified the origin, destination and any intermediate stops in the travel itinerary.
7. Service is provided to the public for events or functions that occur on an irregular basis or for a limited duration, and at least one of the following conditions exist:
    - A premium fare (e.g., higher than the regular fare) is charged.
    - A third party pays, in whole or in part, for the service.

Does Charter Service Have to Meet All of These Elements?

No. The definition of charter service includes service by public transit that is irregular or on a limited basis for a premium fare that is greater than the usual or customary fixed-route fare or service for which a third party pays all or part of the costs. If any or all of these elements exist, the service may be considered charter service. FTA further states that service provided in demand-response mode to individuals is **not** charter service.

Exemptions and Exceptions to Charter Regulations

An **exemption** from the regulations means that the provisions of 49 CFR Part 604 do not apply. In unique cases where there is no exemption, FTA recipients may provide charter services under certain **exceptions** to the regulations. The Charter Service Decision Tree found in TxDOT's *Charter Compliance Guide* (page 20) shows how and when a transit system may or may not provide charter service.

Exemptions

The TxDOT manual describes the following six exemptions to federal charter regulations:

1. transport of employees;
2. transport of employees for emergency preparedness planning;
3. nonurbanized transit system employee training;
4. program-related transportation;
5. transport of private contractors; and
6. national, state or local emergencies.

Examples of exemptions and answers to frequently asked questions (FAQs) are also available in the TxDOT manual.

Exceptions

FTA has defined specific exceptions to charter regulations that enable a transit system to provide charter services and use the revenues generated as local match. The agency must retain specific records for each charter that qualifies as an exception. Exceptions include government officials/government business and qualified human service organizations.

Government Officials/Government Business

Transit systems may provide charter service to government officials for official government business, which can include non-transit-related purposes, as long as the service is in the system's geographic service area and does not generate revenue (except as required by law). The regulation limits such charters to 80 hours per calendar year, but a transit system may petition FTA for additional hours.

Qualified Human Service Organizations (QHSOs)

A transit system may provide charter service to a QHSO for serving persons with mobility limitations related to advanced age, persons with disabilities, or persons with low income. FTA defines a QHSO as "…an organization that serves persons who qualify for human service or transportation-related programs or services due to disability, income, or advanced age." FTA typically considers service provided under contract to a human service agency as public transportation, not charter service, if the service is under the control of the subrecipient, the service is open door, and the subrecipient can put any rider on the vehicle in addition to the agency's clients.

Leasing FTA-Funded Equipment and Drivers

A transit system may lease the system's FTA-funded equipment and provide drivers to a registered charter provider for charter service under the following four conditions:

1. the private charter operator is registered on the FTA charter registration website;
2. the registered charter provider owns and operates buses or vans in a charter service business;
3. the registered charter provider received a request for charter service that exceeds its available capacity, either of the number of vehicles operated by the registered charter provider or the number of accessible vehicles operated by the registered charter provider; and
4. the registered charter provider has exhausted all of the available vehicles of all registered charter providers in the recipient's geographic service area.

No Response by a Registered Charter Operator to a Notice

A transit system wishing to provide charter service under the "no response" exception should send a notice of intent to provide the service to FTA-registered charter providers. If no registered provider responds in the required period indicating the provider can deliver service, the transit system meets the exception for "no response." FTA has established specific timeframes for responses to a transit system's notice. The transit system must allow 72 hours for private charter operator response for services requested within 30 days. The transit system must allow 14 days for private charter operator response for services requested beyond 30 days.

Agreements with Registered Charter Operators

FTA will permit a transit system to provide charter services as long as the service is consistent with an agreement entered into with all FTA-registered charter providers in the recipient's geographic service area.

Exception by Petition

If none of the previous exceptions apply, a transit system may petition the FTA administrator for an exception to the charter service regulations to provide charter service. Granted petitions are limited and are generally restricted to events of regional or national significance, and unique and time-sensitive events (e.g., funerals of local, regional or public interest; or hardship.)

Example of Charter Exceptions

City and Rural Rides (CARR)

The Central Texas Rural Transit District (CTRTD) operates CARR, a demand-response rural public transit service in 11 Texas counties (Brown, Callahan, Coleman, Comanche, Eastland, Erath, Nolan, Runnels, Shackelford, Stephens and rural areas of Taylor).

CARR accepts requests for charter service that originate within its geographic region. The website includes a downloadable form with instructions for applying for a charter. CARR describes how the agency provides charter service in compliance with the exceptions allowed by FTA, and explains that one of these exceptions must apply for CARR to accept the charter. The instructions fully explain the "no response" exception and that CARR will follow the prescribed method to determine interest by other charter operators. CARR sends charter requests to all registered charter providers in the area. If a private operator is interested in performing the charter, CARR clearly states that CARR is not eligible to provide the service. In this case, CARR notifies the requestor, and the private charter company contacts the requestor directly for a price quote.

CARR solicits charter business in full cooperation with FTA regulations. CARR has been able to accept charters under the "no response" exception for weddings and other private events, and for business, chamber of commerce and festival events. In fiscal year 2012, CARR accepted five charters, generating $5,300 in revenue. In 2013, CARR has accepted three charters for $4,600.

A MIXTURE OF FUNDING SOURCES: EXAMPLES FROM OTHER STATES

Erie County, New York

Rural Transit Service (RTS) uses a breadth of funding sources to provide transportation in rural Erie County, New York. Based in Brant, New York, which has a population of just over 2,000 residents, RTS is funded in part by the U.S Department of Housing and Urban Development and the Erie County Community Development Block Grant Consortium. Funding support is also provided by the towns and villages of Erie County, rider donations, and volunteers who serve as drivers, dispatchers and drivers' aids. RTS provides transportation in both rural and suburban areas for older adults, individuals with disabilities, and persons of low income. Although medical trips take priority, eligible riders can also use the service for shopping, banking and social outings, among other trip purposes.

Pulaski Area Transit (PAT) in Virginia

PAT is a small, non-profit rural transit agency that serves the small towns of Dublin and Pulaski, Virginia, by successfully leveraging a mix of funding and strategic partnerships. PAT secured a 5311 grant and has obtained funding from the local Area Agency on Aging, the local community college, the City of Pulaski and Pulaski County. Local businesses, including Wal-Mart and a local fast food restaurant, have contributed to PAT's transportation program. PAT has also sponsored an annual golf tournament to help raise match funding.

Riverside County, California

Since 1994, Care-A-Van has provided trips in and around Hemet, a rural region of California's Riverside County, to low-income, underserved populations. Trip destinations include medical appointments, social service agencies, education and job training programs, employment services, shopping assistance, and social activities. Many of these trips involve door-to-door and even door-through-door assistance by the driver. All passengers are ages 60 and older with disabilities or of low income; escorts accompanying those individuals who require door-

through-door assistance may also ride. Care-A-Van received local funding from Riverside County to purchase an accessible mini-van. Care-A-Van also operates the HOPE Bus — the Hemet Opportunity Project Express — the result of Care-A-Van's partnership with the California Family Life Center and Riverside Transit Agency.

A $2.00 donation per trip is suggested of riders. Care-A-Van's additional operating revenues are funded from a mix of local fundraising, including Community Development Block Grants (CDBGs), local tax dollars, Veterans Administration support, and human service agency contracts.

Source

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CREATING A NON-PROFIT PARTNERSHIP TO RAISE FUNDS AND RIDERSHIP: NORTH BY NORTHWEST CONNECTOR ALLIANCE

The North by Northwest CONNECTOR Alliance (the Alliance) is a partnership of five transit agencies in northwestern Oregon. The Alliance was formed to reduce greenhouse gases and fossil fuel dependence by increasing transit use by everyday riders and visitors alike. The group's efforts were funded with a $3.5 million U.S. Department of Energy General Innovation Fund Grant. Project goals include promoting environmentally conscious travel and developing transit as an asset for economic development. The Alliance manages the area's coordinated regional transit system, known as the CONNECTOR. The CONNECTOR is a national model for interagency partnerships and the use of private-public strategies to promote transit. The CONNECTOR is a partnership of Columbia County Rider, the Sunset Empire Transportation District, the Tillamook County Transportation District, Benton County Transit and Lincoln County Transit.

The Alliance is tasked with encouraging community business and economic partnerships to benefit transit, and building sustainable funding strategies for the allied agencies. To assist in these efforts, the group formed a 501(c)(3) known as the North by Northwest Transportation Foundation. The Board is comprised of representatives from business, higher education, and tourist and travel organizations. The foundation's role is to raise money for the Alliance through fundraising efforts and to promote the CONNECTOR to increase ridership and generate revenue.

The North by Northwest Transportation Foundation's direct fundraising efforts include:

- seeking endowment funding;
- raising funds from private, charitable resources;
- selling regional bus advertising; and
- selling website advertising.

The group's ability to pool available advertising space among the five transit agencies enhances bus advertising efforts. Pooling advertising space allows the foundation to attract larger advertisers and maximize potential revenue. The foundation also actively works to attract visitor information advertising through opportunities such as rack cards, posters and links from its website. Such opportunities allow the alliance partners to simultaneously promote transit ridership and local retailers, providing win-win revenue opportunities for the region.

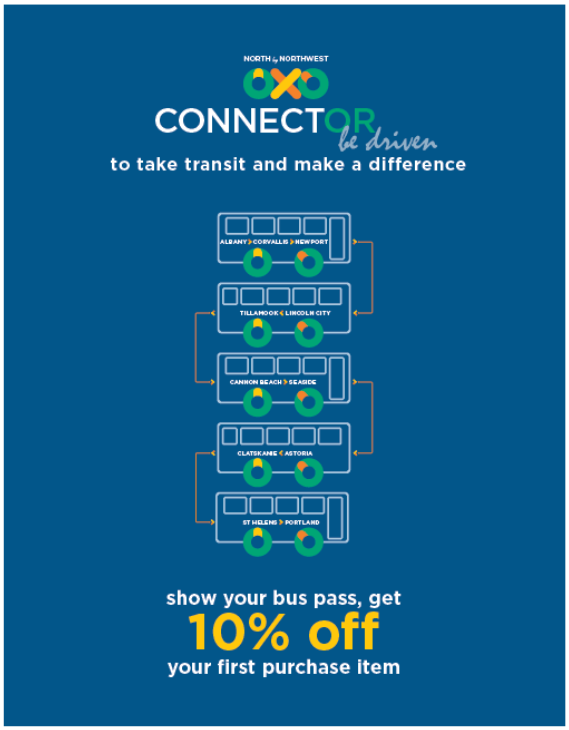
One option for entities considering allowing advertising on their website is Google Adsense, a free program offered by Google that can be used for

website advertising. A small piece of coding is added to an organization's website to allow advertising to appear. The types of advertisers invited to use the space can be selected and managed. Advertisers bid and win the right to advertise in the space provided. The host entity is paid a small amount each time someone visits the website and clicks on an ad. This type of advertising takes some time to generate significant revenue because the amount generated per click is relatively small — a few cents. However, website advertising is an innovative way to generate local revenue.

The Alliance works in concert with the North by Northwest Transportation Foundation to increase ridership and generate revenue using the following tools:

- regional pass sales;
- visitor pass sales with promotional fares (new riders mean new revenue, increased ridership numbers and farebox recovery);
- employer support of transit (employers subsidize bus passes and offer other company-specific incentives to increase ridership);
- hotel and motel industry partnerships (Newport City Loop had 30 hotels participating as of December 2011, generating $90,000 annually for Lincoln County Transit);
- tribal partnerships (tribes have access to additional federal funding opportunities, and tribal-run casinos provide a large source of employees and customers requiring transportation; tribal casinos are also a source of advertising opportunities); and
- branding and marketing efforts of the CONNECTOR, which are used to generate additional ridership by area visitors.

Visitor-based businesses are a good partner for the Alliance and the foundation as they work to increase ridership in the region. The businesses recognize that supporting transit is a good way to increase the customer base and also enhance their image as an environmentally conscious business. These businesses also recognize the valuable role transit plays in providing increased access in parking-restricted areas for customers and employees. One example of local incentives is discounts at local merchants when customers show a bus pass.



Working together, the five transit partners that make up the Alliance have been successful in promoting environmentally conscious travel across service areas to diverse pools of customers. They have developed transit as an asset for economic development in their local communities by using innovative ideas to generate revenue and have also improved transit connections between their communities in the process. Strategic partnerships have allowed the Alliance to brand and market transit service as a single, seamless service across county lines, serving population and employment clusters, tourist attractions, and commuter and visitor markets.

CONTRIBUTED SERVICES

The term *contributed services* can be misleading because the category includes both physical assets and in-kind services. Contributed services are *non-cash* assets or services from another entity that benefit the transit provider.

Assets

A physical asset may be provided or donated to a transit provider and may be considered either an operating or capital asset. The dollar value of a physical asset is its fair market value at the date it was received. Examples of physical assets that may be provided without charge include stocks and bonds, supplies, equipment, a building, or office space in a building.

In-Kind Services

In-kind services are a type of contributed service in which the transit provider derives a benefit from another entity but is under no obligation to pay for that benefit. For example, a city government may donate staff time to help a transit agency plan and promote a new downtown transit shuttle service. The transit agency is under no obligation to pay for the staff resources.

Services must pass the following tests:

- The service is significant and essential.
- The transit provider has reasonably good control over the service.
- There is an objective basis to value the service.
- The service benefits people outside the contributor's organization.

Examples of in-kind services that may be provided at no charge include:

- utility services,
- marketing services,
- maintenance services, and
- planning support from a local planning agency.

Documentation

TxDOT's In-Kind Contribution Form PTN-143 (http://www.txdot.gov/inside-txdot/forms-publications/forms/public-transportation.html) may be used to document contributed services (physical assets or in-kind services) from any source. The value of volunteer hours may be calculated using rates available at http://www.independentsector.org/volunteer_time.

Examples

Many transit providers receive a large percent of their transit budget from contributed services. For example, West Texas Opportunities (WTO) generates nearly $1 million in match from in-kind contributions including subcontractors funded from their own sources, parking and building space provided by counties, and volunteers assisting clients on trips.

Source

Edrington, Z., Brooks, J., Joh, K., Vickich, M., Sandidge, M., and Cherrington, L. (2012). *A Toolkit for Reporting Rural and Specialized Transit Data — Making Transit Count,* National Cooperative Highway Research Program (NCHRP) Research Results Digest 373, published by the Transportation Research Board, Washington, D.C.

VOLUNTEER DRIVERS

A key ingredient to the success of many special transportation programs is the use of volunteer drivers. Volunteers can significantly reduce operating costs by transporting customers without compensation for labor. Some agencies use in-kind services of volunteer drivers as a portion of the local match. Volunteer driver programs, as well as their purpose, expenses and liability, vary by agency. Some programs allow volunteers to operate vehicles owned by the agency or organization, while other programs allow volunteers to use their personal vehicles to transport clients. Reimbursements for fuel and maintenance are sometimes available when volunteers use their personal vehicles.

There are significant legal ambiguities about volunteer driver programs. The core concerns include liability and insurance coverage. In many jurisdictions, organizations are unsure if the organization is liable for traffic incidents involving their volunteer drivers and, if so, whether the organization should extend its insurance coverage to compensate. In some places, volunteer drivers may be immune from liability. Other jurisdictions make drivers, and the organizations that use them, more vulnerable to civil lawsuits.

Ambiguities about civil liability can make it difficult for agencies and organizations that use volunteer drivers to obtain adequate insurance and manage long-term costs. Special transportation programs may need to enhance insurance coverage, and services could be significantly affected by the increased expenses. Additionally, uncertain risks can make it more difficult to recruit and retain volunteer drivers. New volunteers might be deterred by liability concerns or be unwilling to pay substantially higher insurance premiums for the use of their personal vehicles.

It is important to acknowledge that in some examples, regulations, administrative codes and local laws could affect volunteer driver liability. It is also important to consider that experiences within states can differ.

Developing a Volunteer Driver Program

Agencies often develop volunteer driver programs to provide a transportation option for individuals who do not qualify for Americans with Disabilities Act ADA paratransit but cannot use fixed-route services. There are many considerations when developing a volunteer driver program, including:

- specific needs,
- project staffing,
- budgeting,
- funding,
- participant selection,
- insurance and liability,
- logistics,
- types of eligible trips,
- maximum trip distance or hours,
- payment or reimbursement offered,
- acceptance of wheelchairs,
- training required, and
- time commitment expected.

The National Capital Region Transportation Planning Board lists the following keys to success for volunteer driver programs:

- Since volunteer drivers are the heart of the program, continuous attention to recruitment is essential. Produce ongoing publicity and assign recruitment as a specific staff responsibility.
- Invest in the retention of volunteer drivers by communicating regularly and being flexible and respectful of their time limitations.
- To avoid frustration or misunderstandings, establish clear responsibilities and rules for

both the drivers and for the members or clients requesting rides.

- Understand the liability involved and have policies and procedures in place in case of an accident.

Local Match

Agencies can sometimes use in-kind services for a portion of the required local match to the federal contribution. The National Capital Region Transportation Planning Board provides examples of in-kind services that agencies can use as local match, including the percentage of an existing salary that an agency director may donate to supervise a new project and the value of volunteers' time dedicated to the project. Agencies using portions of their volunteer driver program as local match should provide reasonable and supportable value to these in-kind services when developing the project budget.

Liability: Federal Law

The federal Volunteer Protection Act (VPA) grants some protection for volunteers as well as guidance for states, but does not govern many civil actions in state courts. The act preempts state authority when it is inconsistent with the federal law but allows states to establish additional protections beyond the federal requirements. Additionally, the law defines several specific provisions in state volunteer liability protection acts that would not conflict with the federal laws.

The VPA makes volunteers of nonprofit organizations or governmental entities generally immune from civil liability for harm caused by an act or omission of the volunteer acting in his or her official responsibilities on behalf of the organization or entity. There are some exceptions. The volunteer is not immune under the act if he or she was not properly licensed or if the harm was caused by willful or criminal misconduct, gross negligence, reckless misconduct, or a conscious, flagrant indifference to the rights or safety of the individual harmed by the volunteer. Additionally, the volunteer is not immune if the misconduct constitutes a violent crime, hate crime, sexual offense or civil rights violation, or if the volunteer was under the influence of alcohol or drugs.

The volunteer is immune only if the volunteer operating a motor vehicle, vessel, aircraft or other vehicles did not cause the harm.

The federal law does not affect the right of government agencies or nonprofit organizations to sue volunteers. Additionally, the law does not provide protection from civil actions directed at nonprofit organizations or government agencies.

State Statues

All 50 states, the Virgin Islands and Guam have volunteer protection statutes. These laws generally define civil liability and provide protections to individual volunteers and/or agencies, organizations and charities that use volunteers. Most state volunteer protection laws, similar to the federal VPA, make individual volunteers for authorized entities — typically nonprofit corporations and organizations, government agencies, and hospitals — immune from civil liability if they have acted in good faith and without malfeasance. No state statute provides immunity from civil action for volunteers of for-profit companies.

Texas

Texas Charitable Immunity and Liability Code Ann. §84.001 et seq. (2006) holds the volunteer driver liable for motor vehicle incidents. Religious charitable organizations that own or lease their own motor vehicles are not liable for damages arising from someone entrusted to provide transportation services. Specifics of the law include the following:

- Volunteers are immune from civil liability for any act or omission resulting in death, damage or injury if the volunteer was acting

within his or her official capacity within the nonprofit organization.

- The definition of volunteer also includes the director, officer or trustee of the organization who does not receive compensation.
- The nonprofit organization is defined as any organization formed under Section 501(c)(3) or 501 (c)(4), but excludes fraternities, sororities or secret societies. The statute also provides immunity from civil liability to volunteer health-care providers while volunteering for a nonprofit organization if:
    - the act or omission was committed during the course of providing health care to a patient,
    - the act or omission was within the scope of the volunteer's license, or
    - the patient signed a waiver acknowledging that the volunteer is not receiving compensation.
- A volunteer is liable to a person for death, damage, or injury to the person or his or her property proximately caused by an act or omission resulting from the use of motor-driven equipment, including an airplane.
- A volunteer is liable for an act or omission that is intentional, willfully negligent, or done with conscious disregard for the safety of others.
- Liability of a nonprofit organization for an act or omission of an employee of the organization is limited to $500,000 for each person, $1,000,000 for each single occurrence of bodily injury or death, and $100,000 for each single occurrence of injury or destruction of property.
- Religious charitable organizations that own or lease a motor vehicle are not liable for damages arising from the negligent use of the vehicle by someone the organization entrusted to use that vehicle to provide transportation services to a person who:
    - receives financial assistance under Chapter 31 of the Texas Human Resources Code,
    - receives nutritional assistance under Chapter 33 of the Texas Human Resources Code,
    - participates in or is applying to participate in a work or employment activity under Chapter 31 of the Texas Human Resources Code, or
    - is a recipient of a food stamp employment and training program.
- Transportation includes transportation to and from:
    - work, employment, or any training activity or program; or
    - a provider of any child-care services necessary for the person to participate in the work, employment, or training activity or program.
- There is no immunity for the driver if he or she is intoxicated.
- The immunity will only apply to those nonprofit organizations that have liability insurance coverage of $500,000 for each person, $1,000,000 for each single occurrence of bodily injury or death, and $100,000 for each single occurrence of injury or destruction of property.

Insurance or Reimbursement Statutes

In Texas the ability to recover damages in cases involving volunteers is linked to insurance coverage. Texas also connects liability to insurance coverage. Immunities are available to volunteers or nonprofit organizations only if the organization that engages the volunteer's service is covered by insurance. Texas also limits recovery in the amount of the insurance policy.

National Conference of State Legislature (NCSL) Information on State Volunteer Driver Liability Laws

The Transportation section of the NCSL website provides more detail about state volunteer protection laws and initiatives. This area includes a page listing relevant state statutes, a statute summary and additional comments. Access this information at http://www.ncsl.org/issues-research/transport/information-for-state-volunteer-driver-liability-l.aspx.

Example: Transportation Reimbursement and Information Program (TRIP)

Riverside County, California, has created an innovative program that helps older adults independent and active in the community. TRIP was created in 1993 as a low-cost, low-maintenance, customer-driven approach to providing transportation to this demographic. TRIP resulted from a collaborative partnership among the nonprofit program sponsor Independent Living Partnership, the local Area Agency on Aging and the regional planning organization.

TRIP offers transportation services for those who do not qualify for or are too frail to use the community's other transportation options. TRIP reimburses volunteers for driving older adults to and from doctor visits, grocery shopping, personal appointments and other errands in the community. Often, the volunteers serve as more than just drivers; they escort the senior from his or her home to the car and from the car to the appointment.

While using volunteer drivers is not uncommon, the TRIP model is unique in that once a prospective rider's application is reviewed and accepted by TRIP, it is the older adult's responsibility to secure a driver. In this way, TRIP serves not only as a transportation program, but also as a social assistance program, empowering older adults to take responsibility for their lives. TRIP offers training for clients in how to approach friends and neighbors for rides and how to follow the reimbursement process.

While 85 percent of the enrollees are able to recruit a driver, the TRIP staff has created a Volunteer Driver Corps to assist the remaining 15 percent. Some of TRIP's partner organizations have their own Volunteer Driver Corps comprised of individuals from within these organizations. All drivers in the Volunteer Corps are required to have their own automobile insurance, and they are covered by TRIP's liability insurance as well, in case a rider has an accident while in the driver's care.

Results and Customer Satisfaction

TRIP's organizational model results in very limited staff and infrastructure. Consequently, the program is cost efficient for both the community and the user. TRIP's operating expenses are one-fifth what they would be if the program used paid drivers and publicly owned vehicles. During the 2011 program year, 817 unique riders received 99,421 one-way trips at a per-trip cost of $5.66.

In a 2001 survey of 149 riders, 96 percent reported an increase in their ability to travel after using TRIP. In 2012, 67.8 percent of clients said the main reason they applied for TRIP assistance was to enable them to receive medical services.

Limiting Liability

According to risk management professionals and insurers, the TRIP model has the potential of limiting liability because:

- drivers are not recruited or managed by the program,
- the program does not own vehicles,
- the staff does not schedule rides, and
- there is no fee for the service.

Adapting the TRIP Model to Other Communities

Rural and urban communities can adopt the TRIP model. Figure 1 shows how the trip model can be implemented. TRIP offers a step-by-step manual, *How to Start a TRIP Service in your Community*, and TripTrak™ software to fully manage and administer service. The software includes all the information technology required to fully manage and administer a TRIP service, such as complete record-keeping, check-issuing and reporting functions, and client and driver data.

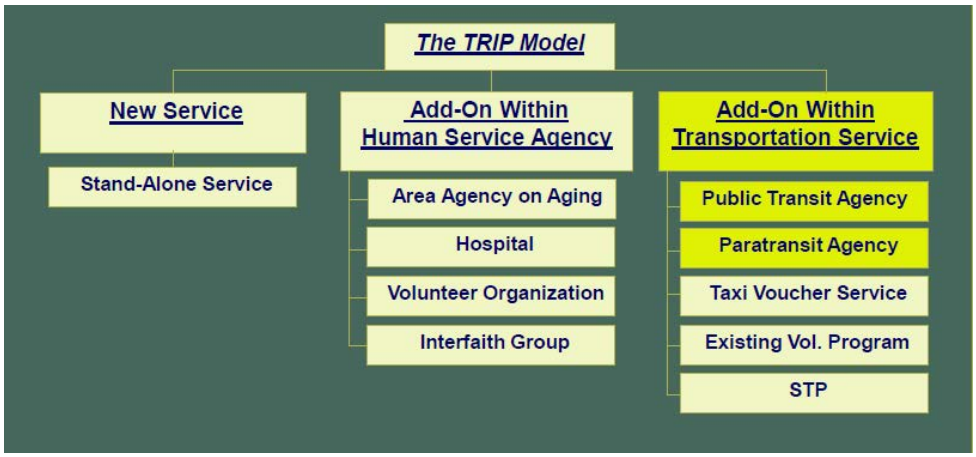


Figure 2. How the TRIP Model Can Be Implemented.
Source: American Public Transit Association APTA Bus and Paratransit Conference, Older Adult Transportation Subcommittee Meeting

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The Beverly Foundation in partnership with AAA Foundation for Traffic Safety (2001), "Supplemental Transportation Programs for Seniors." https://www.aaafoundation.org/sites/default/files/stp.pdf.

The Beverly Foundation. http://beverlyfoundation.org/volunteer-driver-programs/.

Additional resources:

Liability Issues of Volunteer Driving Programs
http://trb.metapress.com/content/g781x68555rm0016/fulltext.pdf

Beverly Foundation
http://beverlyfoundation.org/wp-content/uploads/Risk_Management_Strategy.pdf
http://beverlyfoundation.org/wp-content/uploads/Risk_Management_Strategy.pdf
http://beverlyfoundation.org/wp-content/uploads/white_paper_on_volunteer-_drivers.pdf

Senior Drivers as Volunteers: Dealing with Liability Issues
http://www.legalexaminer.com/automobile-accidents/senior-drivers-as-volunteers-dealing-with-liability-issues.aspx?googleid=291790

National Conference of State Legislatures
http://www.ncsl.org/home/search-results.aspx?zoom_query=volunteer%20driver%20liability
http://www.ncsl.org/issues-research/transport/insurance-challenges-for-paratransit.aspx
http://www.ncsl.org/documents/transportation/Aging-in-Place-2011.pdf
http://www.ncsl.org/print/transportation/vol_driverliabl06.pdf

Risk, Liability and Insurance Practices for Volunteer Driver Programs
http://www.prweb.com/releases/prweb2013/2/prweb10452885.htm

Insurance for Small Urban and Rural Public Transportation Systems in Texas
http://www.regionalserviceplanning.org/coordination/documents/white_papers/insurance_05-2007.pdf

TRIP Trans
www.triptrans.org

TRANSPORTATION DEVELOPMENT CREDITS (TDCs): OPPORTUNITY TO LEVERAGE FEDERAL FUNDS

Transportation Development Credits (TDCs) are a financing tool in which the federal government credits states for local and state investment in toll projects. States earn TDCs when they use local and state funds to develop, construct, implement, improve or maintain toll facilities. State and federal laws permit the substitution of TDCs as the required non-federal match for certain projects. TDCs are a credit, not cash, so a federal project that uses TDCs as a match effectively becomes 100 percent federally funded.

Texas TDC Program

The rules for use of TDCs in Texas can be found in the Texas Administrative Code (TAC), Title 43, Part 1, Chapter 5, Subchapter H.

The goals of the TDC Program are to:

- support public transit;
- maximize the use of available federal funds, particularly in situations in which federal funds would otherwise go unused because of an inability to provide the non-federal match;
- increase the availability of state and local funds that otherwise would be used as the non-federal share; and
- further any other stated goals of the commission or the metropolitan planning organization responsible for awarding credits.

The goals for TDCs are reflected in the revised rules adopted by the Texas Transportation Commission in the Fall of 2012. The rules reflect the intent of both the Texas Legislature and the Commission that TDCs be utilized as a priority for required federal match to maximize the utilization of federal funds on eligible projects and expand the availability of funding for other transportation projects. As a result of TDC use, scarce local and state dollars can be used toward other priority projects.

The Texas Transportation Commission allocates 75 percent of the state's locally earned credits to the metropolitan planning organization (MPO) in the planning area the credits were earned, and the MPO has authority to award these credits. The remaining 25 percent, along with the non-locally earned credits, are awarded by the commission through either a competitive process or at the commission's discretion.

As part of the revised rules, a set amount of TDCs are guaranteed for public-transit-related projects each year. For each fiscal year, the minimum number of credits available for transit projects shall be equal to the lesser of 15 million credits or 50 percent of the total number of credits available for award by the commission on the first day of that fiscal year. This amount is intended as a floor rather than a ceiling, and is not the maximum number of credits that may ultimately be awarded for public transit projects during the fiscal year.

Who Is Eligible?

Entities that are recognized under Title 23 of the United States Code (USC) or Chapter 53 of Title 49 USC, are in good standing with TxDOT, and have no findings of non-compliance are eligible for a TDC award. For example, public transportation providers and regional planning organizations that receive funds from the Federal Transit Administration (FTA) are eligible for a TDC award.

Any project under Title 23 USC or Chapter 53 of Title 49 USC is eligible with the exception of emergency relief programs authorized by 23 USC § 125 or Chapter 53 of Title 49 USC. Projects eligible

for TDC award include transit, rail, highway, bicycle and pedestrian projects.

Statewide TDC Pool—Commission Discretionary Awards

For consideration under the Texas Transportation Commission's discretionary award program for the statewide pool of TDCs, public transportation entities should submit a proposal to the director of the TxDOT Public Transportation Division.

Proposal requirements for commission discretionary awards are found within the TAC, Title 43, Part 1, Chapter 5, Subchapter H. Proposers should include an explanation of how the award will expand the availability of funding for transportation projects.

Local TDC Pool—MPO Awards

Each MPO awards TDCs for projects within its planning area. A public transit agency located within the planning area of an MPO must first seek TDCs through the MPO, unless the credits will serve as the non-federal share for a public transit program administered by the department on a statewide basis. MPOs are in the process of developing guidelines and procedures to govern the award of TDCs locally. The Regional Transportation Council, the MPO policy board at the North Central Council of Governments (NCTCOG), recently approved a method to advance the use of TDCs for the 11-county metropolitan planning area within North Central Texas. The approved method may be accessed on NCTCOG's website at http://www.nctcog.org/trans/committees/rtc/2013/07July/Ref.Itm_4.rtc071113.pdf.

Previous TDC Awards for Public Transportation in Texas

The commission awarded the first statewide TDCs for use in public transportation projects in fiscal year 2006. The total amount of TDCs distributed in this award was approximately $1.4 million. Project awards included fleet replacement, fleet expansion, maintenance facilities and other capital projects that supported regional coordination and furthered TxDOT's goals. Since 2006, Texas public transit providers have received TDCs to match FTA funding in program areas such as Section 5303 (MPOs), Section 5304 (Planning), Section 5307 (Urban), Section 5309 (Capital Investment), Section 5310 (Elderly and Disabled), Section 5311 (Rural), Section 5311f (Intercity Bus), Section 5316 (Job Access/Reverse Commute) and Section 5317 (New Freedom). The amount of TDCs awarded from fiscal year 2006 to 2012 totaled more than $30.5 million.

TDC Benefit

TDCs provide an opportunity to use federal funds in situations where local providers do not have access to local matching funds. TDCs also provide an opportunity to aggregate local and state funds to move other non-federal projects forward. TDCs can help local communities avoid jeopardizing the loss of federal funds.

To use the TDC benefit, the recipient must enter into a project agreement with the entity awarding the credits. If the project agreement is not signed within two years after the award of the credits, the credits may be awarded to another eligible applicant.

TRANSIT FUNDED BY SPECIAL DISTRICTS

Arlington Entertainment Area District

Background

The mission of the Arlington Entertainment Area Management District ("the District") is to provide complimentary transportation services (known as the Trolley) for guests that are staying in member hotels to visit recreational and visitor destinations within the District.

District History

A geographical area of Arlington, Texas, has come to be known as the "entertainment district" because it includes the recreation-entertainment park Six Flags Over Texas, the water park Hurricane Harbor, the American League Texas Ranger Ballpark, the Arlington Convention Center, and numerous supporting hotels and restaurants. In the mid-1990s, the hotels and the Arlington Convention and Visitors Bureau considered for several years the idea of a free trolley service in the entertainment district. In 1995, with the support of the bureau, the hotels petitioned the Texas Natural Resources Conservation Commission (now the Texas Commission on Environmental Quality [TCEQ]) asking for the creation of the District as the entity to provide the trolley service.

Legal Basis

The District was created in December 1995 as a municipal management district under Chapter 375 of the Texas Local Government Code. It is a political subdivision of the state, essentially autonomous within the framework of the authorizing legislation and subject to the oversight of TCEQ. The city council of Arlington had to consent to the creation of the district and must approve its slate of directors appointed at full term. Otherwise, the District has an informal cooperative relationship with the city.

Hotel properties within District boundaries are assessed to pay for District operations. An assessment was levied in September 1996 pursuant to a petition of real property owners and in

accordance with applicable state law. It is a continuing assessment, payment of which is secured by a lien on the real property. The assessment formula provides for a monthly payment by District hotels of $1.90 per night per occupied room (excluding guests staying 30 days or longer). (Most, if not all, hotels pass on this fee to guests as an additional "entertainment district fee," but there is no requirement to do so.) A hotel may be excluded from assessment — and its guests excluded from service — by board vote if the hotel meets certain criteria, such as having over 51 percent occupancy of extended-stay guests.

Governance

The District is governed by a nine-member board of directors meeting qualifications prescribed in Chapter 375. The present board is comprised of general managers of five member hotels, a representative of the Texas Rangers and Six Flags

Over Texas, the chief executive of the convention and visitors' bureau, and an at-large representative of the public. Board members serve staggered four-year terms under appointment approved by the Arlington City Council.

Houston Uptown Tax Increment Reinvestment Zone

TIRZ

A Tax Increment Reinvestment Zone (TIRZ) is a special zone created by a city council to promote development in the zone by implementing tax increment financing. To classify as a TIRZ, an area must substantially arrest or impair the sound growth of the municipality or county creating the zone, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals or welfare in its present condition and use because of the presence of:

- a substantial number of substandard, slum, deteriorated or deteriorating structures;
- the predominance of defective or inadequate sidewalk or street layout;
- faulty lot layout in relation to size, adequacy, accessibility or usefulness;
- unsanitary or unsafe conditions;
- the deterioration of site or other improvements;
- tax or special assessment delinquency exceeding the fair value of the land;
- defective or unusual conditions of title;
- conditions that endanger life or property by fire or other cause; or
- structures, other than single-family residential structures, less than 10 percent of the square footage of which has been used for commercial, industrial or residential purposes during the preceding 12 years if the municipality has a population of 100,000 or more.

Background of Uptown TIRZ

The Uptown TIRZ was created in 1999 to address the challenges of growth and mobility in the uptown area of Houston, Texas. The uptown area has numerous hotels, restaurants and retail outlets including the Houston Galleria. The Uptown Development Authority is a separate nonprofit, local government corporation created at the same time as the Uptown TIRZ and accepts funding, issues bonds, and hires consultants on behalf of the Uptown TIRZ.

A TIRZ must develop a plan to reinvest dollars in the district. The Uptown TIRZ plan aims to improve mobility, encourage new development, and grow the uptown area's tax base. The Uptown TIRZ plans to use more than $235 million for mobility improvements over the next 30 years. The Uptown TIRZ projects it will generate more than $341 million in new tax revenue for the City of Houston and the Metropolitan Transit Authority of Harris County (Houston METRO).

Transit Projects

The Uptown TIRZ and Uptown Development Authority do not directly operate transit service in the uptown area and instead collaborate with Houston METRO to ensure mobility for people that live, work and visit uptown.

Most recently, the Uptown TIRZ and Uptown Development Authority proposed to join Houston METRO to develop an exclusive right-of-way bus rapid transit (BRT) line down Post Oak Boulevard, the most congested corridor in the district. The project goal is to allow those that work uptown to commute via transit. The approved project will use TIRZ funding, METRO buses and personnel, and Houston METRO's Northwest and proposed Westpark Transit Centers.

Figure 1 shows that the existing right-of-way will be expanded to accommodate a dedicated right-of-way for BRT service down the middle of Post Oak Boulevard. Buses operating in the dedicated lanes will stop at signalized intersections and move forward only when other cars move forward.

The Uptown TIRZ has also used its funds to design and install 36 new bus shelters in the district, with stops serviced by Houston METRO.

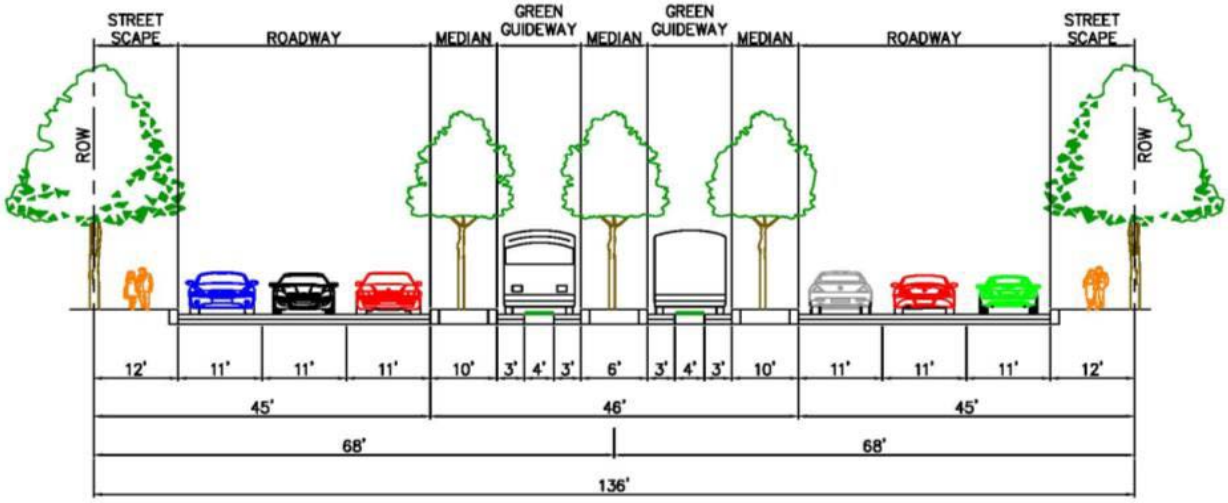

Figure 3. Uptown Houston BRT Concept Drawing.
Source: Uptown Houston Website

Sources:
Arlington Economic Development
http://www.arlingtontx.gov/business/entertainmentdistrict.html

City of Houston
http://www.houstontx.gov/ecodev/tirz.html

Uptown Houston TIRZ and Development Authority
http://www.uptown-houston.com

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