Sources of Funding for Transit in Urban Areas in Texas

Final report

PRC 15-11.1
Sources of Funding for Transit in Urban Areas in Texas

Texas A&M Transportation Institute
PRC 15-11.1
June 2015

Author
Linda Cherrington
Table of Contents

List of Figures .......................................................................................................................... 5
List of Tables ............................................................................................................................ 5
Introduction ............................................................................................................................... 6
  Federal, State, and Local Sources of Funding ................................................................. 6
  Location of Urban Transit Systems in Texas ................................................................. 6
    Urban Transit Districts That Receive State Funds .................................................. 7
    Transit Authorities and Municipal Transit Departments That Receive Local Sales Tax ... 8
Federal Funding ..................................................................................................................... 10
  MAP-21 ................................................................................................................................. 10
    Repealed Programs ........................................................................................................ 12
    Consolidated Programs .................................................................................................. 12
  Federal FTA Funding Programs ....................................................................................... 13
    Section 5307 Urbanized Area Formula Program ..................................................... 13
    Section 5311 Non-urbanized Area (Rural) Formula Program .................................. 15
    Sections 5303, 5304, and 5305 Metropolitan, Statewide, or Nonmetropolitan Planning Programs .............................................................. 17
    Section 5309 Fixed Guideway Capital Investment Grants (“New Starts”) ............ 17
    Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities .... 18
    Section 5340 Growing States and High-Density States Formula Program .......... 19
    Section 5339 Bus and Bus Facilities Program ............................................................ 19
    Section 5337 State of Good Repair ............................................................................... 20
  Other Significant FTA Programs under MAP-21 ......................................................... 22
    Designation of Regional Transportation Planning Organizations .................. 22
    Private-Sector Participation ......................................................................................... 22
    Government Share for Vehicles, Equipment, and Facilities to Comply with the ADA 22
    Transit Asset Management ......................................................................................... 22
    Safety Management System ...................................................................................... 23
  Other USDOT Sources of Federal Funding for Transit ........................................... 23
    National Highway Performance Program (23 USC 119) ........................................ 23
    Surface Transportation Program (23 USC 133) ......................................................... 23
    Congestion Mitigation and Air Quality Improvement Program (23 USC 149) .... 24
  Non-USDOT Federal Revenues ....................................................................................... 25
State Funding ......................................................................................................................... 26
  Texas Transit Funding Formula .................................................................................... 26
  Measures of Needs and Performance ......................................................................... 27
    Needs .............................................................................................................................. 27
    Performance .................................................................................................................. 27
Local Revenue Sources ......................................................................................................... 28
  Types of Revenue Sources ............................................................................................ 28
    Fares ............................................................................................................................... 28
    Sales Tax ....................................................................................................................... 28
    Local Contributions (Cash) ......................................................................................... 29
    Contributed Services (Non-cash) ............................................................................... 29
    Auxiliary Transit Revenues ......................................................................................... 29
List of Figures

Figure 1. Map of Urban Transit Districts and Transit Authorities in Texas......................... 7
Figure 2. Texas Transit Funding Formula. ............................................................................. 26

List of Tables

Table 1. Summary of Revenues for Urban Transit Districts in State FY 2014. ....................... 6
Table 2. Texas Urban Transit Districts That Receive State Funding. ........................................ 8
Table 3. Texas Urban Areas with Approved Local Option Sales Tax for Transit...................... 9
Table 4. MAP-21 Transit Authorizations by Program. ........................................................... 11
Table 5. Authorization Levels by Primary Purpose (as a Percent of Total Authorization). ....... 12
Table 6. Summary of Local Revenues by Source for Urban Transit Districts (State FY 2014)................................................................................................................................. 28
Table 7. Revenues for Urban Transit Districts—Applied for Operating and Capital Expenses (State FY 2014)................................................................................................................ 31
Introduction

Federal, State, and Local Sources of Funding

This report provides information on the sources of revenues to fund transit in urban areas in Texas—through federal, state, and local sources. All public transit systems are eligible for federal funds from the Federal Transit Administration (FTA). FTA funds require match from state and/or local funds.

There are two categories of transit systems in urban areas in Texas:

- **Urban transit districts:** receive state funds for transit but do not have a local sales tax dedicated to transit as a source for local funds. Urban transit districts must find local funds for operating and capital from other sources. (Urban transit districts are authorized under Texas Transportation Code 458.)

- **Transit authorities and municipal transit departments:** have access to a local sales tax dedicated to transit but do not receive state funds. (Transit authorities and municipal transit departments are authorized under Texas Transportation Code 451, 452, 453, and 460.)

Laredo is the only transit system that is both an urban transit district that receives state funding and a municipal transit department with a local sales tax dedicated to transit. Laredo was a small urban area (eligible for state funds) prior to the 2010 Census and has grandfathered status to continue receiving state funds.

Table 1 summarizes the sources of revenues reported by the urban transit districts in Texas.

<table>
<thead>
<tr>
<th>Sources of Applied Revenues</th>
<th>Percent of Total Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal FTA</td>
<td>$57,055,429 42.4</td>
</tr>
<tr>
<td>Other federal</td>
<td>$5,735,380 4.3</td>
</tr>
<tr>
<td>State</td>
<td>$11,993,725 8.9</td>
</tr>
<tr>
<td>Local including fares</td>
<td>$59,725,531 44.4</td>
</tr>
<tr>
<td><strong>Total revenues 2014</strong></td>
<td><strong>$134,510,065 100.0</strong></td>
</tr>
</tbody>
</table>

Source: Texas Department of Transportation Public Transportation Division, PTN-128 data reported by each transit district for fiscal year (FY) 2014.

Location of Urban Transit Systems in Texas

Figure 1 shows urban transit districts and transit authorities in Texas. The following subsections describe these urban transit districts and transit authorities/municipal transit departments.
Texas has 30 urban transit districts that receive state funds, and all but Laredo do not have access to a local sales tax dedicated to transit:

- 21 urban transit districts in small urban areas (population of 50,000 to 199,999).
- 9 urban transit districts in large urban areas (population 200,000 or more).
Of the nine urban transit districts in large urban areas:

- Five districts provide transit services for the general public (Lubbock, Brownsville, Conroe–The Woodlands, Killeen, and McAllen–Hidalgo County).
- Four urban transit districts in the Dallas–Fort Worth–Arlington urbanized area limit eligibility for transit to seniors and people with disabilities (Arlington, Grand Prairie, Mesquite, and Northeast Transportation Services in Tarrant County).

Table 2 lists the 30 urban transit districts that receive state funding.

Table 2. Texas Urban Transit Districts That Receive State Funding.

<table>
<thead>
<tr>
<th>Type of Governmental Entity and Authority</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban Transit Districts (Texas Transportation Code 458)</td>
<td></td>
</tr>
<tr>
<td>Abilene</td>
<td>Lake Jackson–Angleton</td>
</tr>
<tr>
<td>Amarillo</td>
<td>Laredo</td>
</tr>
<tr>
<td>Arlington</td>
<td>Longview</td>
</tr>
<tr>
<td>Beaumont</td>
<td>Lubbock</td>
</tr>
<tr>
<td>Brownsville</td>
<td>McAllen–Hidalgo County</td>
</tr>
<tr>
<td>College Station–Bryan</td>
<td>McKinney</td>
</tr>
<tr>
<td>Conroe–The Woodlands</td>
<td>Mesquite</td>
</tr>
<tr>
<td>Grand Prairie</td>
<td>Midland–Odessa</td>
</tr>
<tr>
<td>Harlingen–San Benito</td>
<td>Northeast Transportation Services</td>
</tr>
<tr>
<td>Killeen</td>
<td>Port Arthur</td>
</tr>
</tbody>
</table>

Transit Authorities and Municipal Transit Departments That Receive Local Sales Tax

In Texas, large urban areas are eligible under state statute to ask voter approval for a local option general sales tax dedicated for transit. The Texas state sales and use tax rate is 6.25 percent, but local taxing jurisdictions (cities, counties, special purpose districts, and transit authorities) may also impose sales and use taxes up to 2 percent for a total maximum combined rate of 8.25 percent.

Nine urban areas in Texas have approved a local option sales tax for a transit authority or municipal transit department. Table 3 lists the urban areas and the tax rate for the local sales tax dedicated to transit. The references to the Texas Transportation Code identify the statutory authority for each local government entity.
Table 3. Texas Urban Areas with Approved Local Option Sales Tax for Transit.

<table>
<thead>
<tr>
<th>Type of Governmental Entity and Authority</th>
<th>City</th>
<th>Agency</th>
<th>Sales Tax Rate (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Rapid Transit Authorities</td>
<td>Houston</td>
<td>Metropolitan Transit Authority of Harris County</td>
<td>1.0</td>
</tr>
<tr>
<td>(Texas Transportation Code 451)</td>
<td>San Antonio</td>
<td>VIA Metropolitan Transit</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>San Antonio Advanced Transportation District*</td>
<td>0.25</td>
</tr>
<tr>
<td></td>
<td>Austin</td>
<td>Capital Metropolitan Transportation Authority</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>Corpus Christi</td>
<td>Regional Transportation Authority</td>
<td>0.5</td>
</tr>
<tr>
<td>Regional Transportation Authorities</td>
<td>Dallas</td>
<td>Dallas Area Rapid Transit</td>
<td>1.0</td>
</tr>
<tr>
<td>(Texas Transportation Code 452)</td>
<td>Fort Worth**</td>
<td>Fort Worth Transportation Authority</td>
<td>0.5</td>
</tr>
<tr>
<td>Municipal Transit Departments</td>
<td>El Paso</td>
<td>El Paso Mass Transit Department</td>
<td>0.5</td>
</tr>
<tr>
<td>(Texas Transportation Code 453)</td>
<td>Laredo***</td>
<td>Laredo Transit Management, Inc.</td>
<td>0.25</td>
</tr>
<tr>
<td>Coordinated County Transportation Authority</td>
<td>Denton County</td>
<td>Denton County Transportation Authority</td>
<td>0.5</td>
</tr>
<tr>
<td>(Texas Transportation Code 460)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Revenues generated from the 0.25 percent sales tax in San Antonio are dedicated to advanced transportation projects.
** Grapevine, Texas, also dedicates a part of the municipal sales tax (0.375 percent) to fund commuter rail.
*** Laredo is also an urban transit district, eligible to receive state funds.
Federal Funding

This section explains the funding sources for FTA and other federal revenues specifically for urban transit districts in Texas for state FY 2014.

MAP-21

Congress establishes the legal authority to commence and continue surface transportation programs through authorizing legislation covering several years. Each reauthorization amends the Federal Transit Laws codified in 49 United States Code (USC) Chapter 53. The current federal surface transportation law, known as the Moving Ahead for Progress in the 21st Century Act (MAP-21), was originally effective for two years, October 1, 2012, through September 30, 2014. MAP-21 modifies the previous transportation legislation, known as the Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU) (I).

MAP-21 provides funding for the U.S. Department of Transportation (USDOT) and its subsidiary agencies. The federal agency most involved in funding for transit is FTA. FTA apportions funding for transit systems in urbanized and rural areas and for programs for the elderly and people with disabilities.

MAP-21 emphasizes goals for safety, state of good repair, performance, and efficiency. The act also emphasizes restoring and replacing aging public transportation infrastructure and establishes performance-based planning requirements. A dominant theme found within the MAP-21 legislation is more formula-driven funding programs and less discretionary funding. In fact, changes resulting from the passage of MAP-21 have resulted in more than 80 percent of transit funds being distributed through formulas (I).

Table 4 shows MAP-21 funding authorizations for transit by program:

- The total MAP-21 authorization is $10.578 billion in FY 2013 and $10.695 billion in FY 2014.
- The bulk of MAP-21 authorizations are formula grant programs funded from the Mass Transit Account—$8.478 billion in FY 2013 and $8.595 billion in FY 2014.
- General revenues fund other MAP-21 programs, authorized at $2.1 billion per year in FY 2013 and FY 2014 (I).

As of May 2015, Congress has extended the MAP-21 authorization through July 2015. The federal appropriation for FY 2015 continues formula program funding at levels similar to FY 2014. However, the total funds available this year are limited to 75 percent of a full year (October through May).
<table>
<thead>
<tr>
<th>USC Section</th>
<th>Program</th>
<th>Grant Programs Total Funded from Mass Transit Account</th>
<th>FY 2013 (Millions of Dollars)</th>
<th>FY 2014 (Millions of Dollars)</th>
<th>2-Year Total (Millions of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5305</td>
<td>Planning</td>
<td></td>
<td>$126.90</td>
<td>$128.80</td>
<td>$255.70</td>
</tr>
<tr>
<td>5307</td>
<td>Urbanized Area Formula</td>
<td></td>
<td>$4,397.95</td>
<td>$4,458.65</td>
<td>$8,856.60</td>
</tr>
<tr>
<td>5310</td>
<td>Seniors and Individuals with Disabilities</td>
<td></td>
<td>$254.80</td>
<td>$258.30</td>
<td>$513.10</td>
</tr>
<tr>
<td>5311</td>
<td>Non-urbanized Area Formula</td>
<td></td>
<td>$537.51</td>
<td>$545.64</td>
<td>$1,083.15</td>
</tr>
<tr>
<td>5311 (b)(3)</td>
<td>Rural Transportation Assistance Program</td>
<td></td>
<td>$11.99</td>
<td>$12.16</td>
<td>$24.15</td>
</tr>
<tr>
<td>5311 (c)(1)</td>
<td>Public Transportation on Indian Reservations</td>
<td></td>
<td>$30.00</td>
<td>$30.00</td>
<td>$60.00</td>
</tr>
<tr>
<td>5311 (c)(2)</td>
<td>Appalachian Development Public Transportation</td>
<td></td>
<td>$20.00</td>
<td>$20.00</td>
<td>$40.00</td>
</tr>
<tr>
<td>5318</td>
<td>Bus Testing Facility</td>
<td></td>
<td>$3.00</td>
<td>$3.00</td>
<td>$6.00</td>
</tr>
<tr>
<td>5322 (d)</td>
<td>National Transit Institute</td>
<td></td>
<td>$5.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>5335</td>
<td>National Transit Database</td>
<td></td>
<td>$3.85</td>
<td>$3.85</td>
<td>$7.70</td>
</tr>
<tr>
<td>5337</td>
<td>State of Good Repair*</td>
<td></td>
<td>$2,156.30</td>
<td>$2,165.90</td>
<td>$4,322.20</td>
</tr>
<tr>
<td>5339</td>
<td>Bus and Bus Facilities Formula*</td>
<td></td>
<td>$422.00</td>
<td>$427.80</td>
<td>$849.80</td>
</tr>
<tr>
<td>5340</td>
<td>Growing States and High-Density States</td>
<td></td>
<td>$518.70</td>
<td>$525.90</td>
<td>$1,044.60</td>
</tr>
<tr>
<td>20005 (b)</td>
<td>MAP-21 Pilot Program Transit-Oriented Development Planning*</td>
<td></td>
<td>$10.00</td>
<td>$10.00</td>
<td>$20.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section of 49 USC</th>
<th>Other Programs (Funded from General Revenues)</th>
<th>$2,100</th>
<th>$2,100</th>
<th>$4,200</th>
</tr>
</thead>
<tbody>
<tr>
<td>5309</td>
<td>Fixed Guideway Capital Investment**</td>
<td>$1,907.00</td>
<td>$1,907.00</td>
<td>$3,814.00</td>
</tr>
<tr>
<td>5312</td>
<td>Research, Development, Demonstration, and Deployment**</td>
<td>$70.00</td>
<td>$70.00</td>
<td>$140.00</td>
</tr>
<tr>
<td>5313</td>
<td>Transit Cooperative Research Program</td>
<td>$7.00</td>
<td>$7.00</td>
<td>$14.00</td>
</tr>
<tr>
<td>5314</td>
<td>Technical Assistance and Standards Development**</td>
<td>$7.00</td>
<td>$7.00</td>
<td>$14.00</td>
</tr>
<tr>
<td>5322</td>
<td>Human Resources and Training**</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>5324</td>
<td>Emergency Relief*</td>
<td>(a)</td>
<td>(a)</td>
<td>(a)</td>
</tr>
<tr>
<td>5326</td>
<td>Transit Asset Management*</td>
<td>$1.00</td>
<td>$1.00</td>
<td>$2.00</td>
</tr>
<tr>
<td>5327</td>
<td>Project Management Oversight</td>
<td>(b)</td>
<td>(b)</td>
<td>(b)</td>
</tr>
<tr>
<td>5329</td>
<td>Public Transportation Safety*</td>
<td>$5.00</td>
<td>$5.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>5334</td>
<td>FTA Administration</td>
<td>$98.00</td>
<td>$98.00</td>
<td>$196.00</td>
</tr>
</tbody>
</table>

**Total All Programs** | $10,578 | $10,695 | $21,273 |

(a) Such sums as are necessary.
(b) Project management oversight funds are a variable percent takedown from capital grant programs.
* New program under MAP-21.
** Modified under MAP-21.
Source: Federal Transit Administration,
Table 5 shows the percentage of transit funding by primary purpose as a percentage of total authorization for funds in FY 2012 under the previous authorization (SAFETEA-LU) and FY 2013 and FY 2014 under MAP-21. The greatest drop in percent share in MAP-21 is for Bus and Bus Facility Program funds, which dropped from 9.9 percent in FY 2012 to 4.6 percent in FY 2013 and FY 2014. In lieu of the previous Bus Discretionary Program (Section 5309), MAP-21 establishes a new formula-driven Bus and Bus Facilities Program (Section 5339).

Table 5. Authorization Levels by Primary Purpose (as a Percent of Total Authorization).

<table>
<thead>
<tr>
<th>Primary Purpose</th>
<th>Section(s) of 49 USC</th>
<th>FY 2012*</th>
<th>FY 2013</th>
<th>FY 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urbanized Area Formula</td>
<td>5307/5340</td>
<td>43.5%</td>
<td>45.7%</td>
<td>45.8%</td>
</tr>
<tr>
<td>Non-urbanized Area Formula</td>
<td>5311/5340</td>
<td>5.1%</td>
<td>6.4%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Fixed Guideway Capital Investment</td>
<td>5309</td>
<td>18.7%</td>
<td>18.0%</td>
<td>17.8%</td>
</tr>
<tr>
<td>State of Good Repair</td>
<td>5337</td>
<td>15.9%</td>
<td>19.6%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Bus and Bus Facilities Formula</td>
<td>5339</td>
<td>9.9%</td>
<td>4.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Seniors and Individuals with Disabilities</td>
<td>5310</td>
<td>3.7%</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>All Other Grant Programs and Administration</td>
<td></td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Total Funding</td>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

* FY 2012 SAFETEA-LU.
Source: Federal Transit Administration, MAP-21 Update, 2013.

Repealed Programs

MAP-21 focuses on improving grant program operations efficiency by consolidating certain programs and repealing other programs (I). The following programs expired September 30, 2012, and MAP-21 authorized no new funding beyond the funds awarded in FY 2012:

- Alternatives Analysis (Section 5339).
- Clean Fuels (Section 5308).
- Job Access and Reverse Commute (JARC) (Section 5316).
- New Freedom (Section 5317).
- Transit in the Parks (Section 5320).
- Over the Road Bus.

Consolidated Programs

JARC activities are now eligible for funding under the Urbanized Area Formula Program (Section 5307) and the Non-urbanized Area Formula Program (Section 5311). Activities eligible under the former New Freedom Program are now eligible under the Enhanced Mobility of Seniors and Individuals with Disabilities Program (Section 5310) (I).
Federal FTA Funding Programs

All urban transit districts, transit authorities, and municipal transit departments receive funds from FTA. FTA funds require match from state and/or local funds. Local funds include fares, local government revenues, and other funds generated from transit and non-transportation sources. Transit agencies may receive revenues from other federal programs. Transit agencies may use revenues received from non-USDOT programs to match FTA funds.

Under MAP-21, FTA administers the following formula programs that provide funding for urban transit districts in Texas (1, 2, 3, 4):

- **Section 5307 Urbanized Area Formula Program**: also includes Section 5340 Growing States funds and incorporates JARC (formerly Section 5316).
- **Section 5311 Non-urbanized Area (Rural) Formula Program**: also includes Section 5340 Growing States funds and incorporates JARC (formerly Section 5316).
- **Sections 5303, 5304, and 5305 Metropolitan, Statewide, or Nonmetropolitan Planning Programs**: provide funding for multimodal transportation planning in metropolitan areas and states.
- **Section 5309 Fixed Guideway Capital Investment Grants**: provides grants for new and expanded rail, bus rapid transit (BRT), and ferry systems that reflect local priorities to improve transportation options in key corridors.
- **Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities**: merges with the New Freedom Program (formerly Section 5317).
- **Section 5340 Growing States and High-Density States Formula Program**: apportions additional funds by formula to Section 5307 and Section 5311 grant recipients in Growing States and High-Density States.
- **Section 5339 Bus and Bus Facilities Program**: a new formula program for all agencies operating bus service.
- **Section 5337 State of Good Repair**: a new formula-based program dedicated to repairing and upgrading the nation’s rail transit systems along with high-intensity motor bus systems that use high-occupancy vehicle lanes, including BRT.¹

The following subsections describe these programs.

**Section 5307 Urbanized Area Formula Program**

The largest of FTA’s grant programs, the Urbanized Area Formula Program, provides grants to urbanized areas to support public transportation. FTA apportions urbanized area (UZA) formula funds to designated recipients, which then sub-allocate funds to state and local governmental authorities, including public transportation providers. The formula is based on the following:

---
¹ FTA announced June 4, 2014, that Section 5309 funds remaining from SAFETEA-LU apportionments that were not used are available to urbanized areas for bus and bus facility projects. (See Federal Transit Administration, Discretionary Funding Opportunities: Prior Year Section 5309 Bus and Bus Facilities Program [Ladders of Opportunity Initiative], Federal Register, Vol. 79, No. 107, Wednesday, June 4, 2014.)
• For areas of 50,000 to 199,999 in population (small urban), the formula is based on population and population density, and the number of low-income individuals.
• For areas with populations of 200,000 and more (large urban), the formula is based on a combination of bus revenue vehicle miles, bus passenger miles, fixed guideway revenue vehicle miles, and fixed guideway route miles, as well as population and population density and the number of low-income individuals.

Of the funds made available to the Section 5307 program:
• A 0.5 percent takedown is apportioned to states for the State Safety Oversight Program.
• $30 million is set aside for Section 5307(h) Passenger Ferry Grants.
• A 1.5 percent takedown is authorized for Small Transit Intensive Cities (STIC).

FTA apportions STIC funds to UZAs with a population less than 200,000 that operate at a level of service equal to or above the industry average level of service for all UZAs with a population of at least 200,000 but not more than 999,999. FTA allocates the funds based on level of service and performance in one or more of six categories: passenger miles per vehicle revenue mile, passenger miles per vehicle revenue hour, vehicle revenue miles per capita, vehicle revenue hours per capita, passenger miles per capita, and passengers per capita.

**Eligible Recipients**

Section 5307 funding is available to designated recipients that must be public bodies with the legal authority to receive and dispense federal funds. Governors, responsible local officials, and publicly owned operators of transit services are responsible for designating a recipient to apply for, receive, and dispense funds for transportation management areas.

Generally, a transportation management area is an urbanized area with a population of 200,000 or more. The governor or governor’s designee (in Texas, the Texas Department of Transportation [TxDOT] Public Transportation Division) is the designated recipient for urbanized areas between 50,000 and 200,000. TxDOT allocates funds to urban transit districts pursuant to state statute and names each district as the FTA direct recipient (5). FTA apportions Section 5307 funds directly to the designated recipient(s) in an urbanized area with a population over 200,000.

**Eligible Activities**

Activities eligible for funding are:

• Capital projects.
• Planning.
• JARC projects that provide transportation to jobs and employment opportunities for welfare recipients and low-income workers.
• Operating costs in areas with fewer than 200,000 in population.
• Operating costs, up to certain limits, for grantees in areas with populations greater than 200,000, and which operate a maximum of 100 buses in fixed-route service during peak hours (rail fixed guideway excluded).

**Changes under MAP-21**

The Section 5307 program remains largely unchanged under MAP-21 with a few exceptions.

**JARC activities now eligible.** Activities eligible under the former JARC program, which focused on providing services to low-income individuals to access jobs, are now eligible under Section 5307. The urbanized area formula now includes the number of low-income individuals as a funding factor. There is no floor or ceiling on the amount of funds that can be spent on JARC activities under MAP-21, nor is there any requirement to expend any funds on these types of programs.

**Expanded eligibility for operating expenses for systems with 100 or fewer buses.** MAP-21 expands eligibility for using Urbanized Area Formula funds for operating expenses. Previously, only urbanized areas with populations below 200,000 were eligible to use federal transit funding for operating expenses. Under MAP-21, a transit system in an urbanized area over 200,000 can use formula funding for operating expenses if the transit system operates no more than 100 buses. Systems operating between 76 and 100 buses in fixed-route service during peak service hours may use up to 50 percent of the “attributable share” of funding for operating expenses. Systems operating 75 or fewer buses in fixed-route service during peak service hours may use up to 75 percent of the “attributable share” of funding for operating expenses. “Attributable share” refers to the share of the urbanized area’s apportionment that is attributable to a transit system based on the transit system’s share of vehicle revenue hours in the urbanized area. This expanded eligibility for operating assistance under the Urbanized Area Formula Program excludes rail systems.²

**Section 5311 Non-urbanized Area (Rural) Formula Program**

Section 5311 provides capital, planning, and operating assistance to support public transportation in rural areas (defined as areas with fewer than 50,000 residents). Funding is based on a formula that uses land area, population, and low-income population. Funds are apportioned to the state’s designated recipient to allocate to providers of public transportation in non-urbanized areas. In Texas, the TxDOT Public Transportation Division is the designated recipient (5).

Each state must spend no less than 15 percent of its annual apportionment for the development and support of intercity bus transportation, unless it can certify, after consultation with affected intercity bus service providers, that the intercity bus service needs of the state are being met adequately (Section 5311[f]).

---

² This provision applies to urbanized areas over 200,000.
Section 5311 funds also include $10.5 million in FY 2013 and $10.6 million in FY 2014 for the Rural Transportation Assistance Program (RTAP). States can use RTAP funds for technical assistance, training, research, and related support activities.

**Eligible Recipients**

Eligible recipients of Section 5311 funds are states and Indian tribes. Eligible subrecipients include state or local government authorities, nonprofit organizations, and operators of public transportation or intercity bus service that receive funds indirectly through a recipient. The governor or governor’s designee (in Texas, the TxDOT Public Transportation Division) is the recipient for Section 5311 funds. TxDOT allocates funds to rural transit districts pursuant to Texas statute. Each rural transit district is a TxDOT subrecipient for Section 5311 funds (5).

See also the discussion of designated recipients, direct recipients, and subrecipients in “Eligibility to Receive Urbanized Area Formula Funds” in this section.

**Changes under MAP-21**

The Section 5311 program remains largely unchanged under MAP-21 with a few exceptions.

**JARC activities eligible.** Activities eligible under the former JARC program are now eligible under the Section 5311 program. The non-urbanized area formula now includes the number of low-income individuals as a funding factor. There is no floor or ceiling on the amount of funds that can be spent on JARC activities under MAP-21, nor is there any requirement to expend any funds on these types of programs. JARC projects do not need to be included in a coordinated human service transportation plan, and competitive selection for JARC projects is not required.

**Added factors for the apportionment formula.** MAP-21 added low-income population and revenue miles as additional factors in the apportionment formula. FTA apportions Section 5311 funds based on population, land area, low-income population, and revenue miles in the rural service area. The low-income population factor accounts for the addition of JARC projects to the formula program.

**Intercity bus.** According to Section 5311(f) Intercity Bus Program, intercity bus service can be used as in-kind local match. MAP-21 codifies the Intercity Pilot Match Program established in March 2007. The program permits the cost of an unsubsidized portion of privately provided intercity bus service that connects feeder service to be used as in-kind local match for the intercity bus projects.

**Reduced set-aside.** MAP-21 reduced the set-aside for states for administration, planning, and technical assistance from 15 to 10 percent.
Sections 5303, 5304, and 5305 Metropolitan, Statewide, or Nonmetropolitan Planning Programs

FTA and the Federal Highway Administration (FHWA) jointly administer these planning programs, which provide funding and procedural requirements for multimodal transportation planning in metropolitan areas and states.

MAP-21 requires metropolitan planning organizations (MPOs) and states to establish performance targets that address national performance measures based on goals outlined in law. Transportation Improvement Programs (TIPs) must include a description of the anticipated progress toward achieving the targets brought about by implementing the TIP. Two years after enactment of MAP-21, MPOs in urbanized areas designated as transportation management areas must include transit officials on policy boards. Additionally, MPOs may undertake scenario development exercises in preparing the long-range transportation plans that consider alternative demographic growth, revenue options, and other factors.

Section 5309 Fixed Guideway Capital Investment Grants (“New Starts”)

The Section 5309 program provides grants for new and expanded rail, BRT, and ferry systems that reflect local priorities to improve transportation options in key corridors. This program defines a new category of eligible projects, known as core capacity projects, which expand capacity by at least 10 percent in existing fixed guideway transit corridors that are already at or above capacity today, or are expected to be at or above capacity within five years. The program also includes provisions for streamlining aspects of the New Starts process to increase efficiency and reduce the time required to meet critical milestones.

Eligible Recipients

State and local government agencies, including transit agencies, are the eligible recipients of Section 5309 funds.

Changes under MAP-21

MAP-21 made major changes to the Section 5309 program.

Alternatives Analysis eliminated. MAP-21 eliminates the Alternatives Analysis requirement for major investments and instead relies on the review of alternatives performed during the metropolitan planning and environmental review processes.

Engineering. MAP-21 reduces the number of FTA approval steps by consolidating preliminary engineering and final design into a single engineering step.

Section 5309 Funds Remaining from SAFETEA-LU

On June 4, 2014, FTA announced the availability of prior-year Section 5309 Bus and Bus Facilities Program discretionary funds for FY 2014. FTA made available approximately $100 million from Section 5309 authorized by SAFETEA-LU and prior authorizations that remained unspent. Additional recoveries or other unallocated program funding may result in
additional funding. This funding opportunity is a Ladders of Opportunity Initiative, which is designed to invest in projects that improve the mobility of Americans with transportation disadvantages and allow them a better chance of climbing ladders of opportunity toward economic self-determination (6).

**Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities**

The Section 5310 program provides formula funding to increase the mobility of seniors and individuals with disabilities. Former New Freedom Program (Section 5317) activities are now eligible to be considered for funding under the Section 5310 program. Funds are apportioned based on each state’s share of the targeted populations and are now apportioned to states (for all urban areas less than 200,000 in population and all rural areas) and to large urbanized areas (200,000 in population or more).

Projects selected for funding under the Section 5310 program must be included in a locally developed, coordinated public transit–human services transportation plan. The competitive selection process, which was required under the former New Freedom Program, is now optional.

**Eligible Recipients**

FTA apportions funds to states for all areas under 200,000 in population and to designated recipients in large urbanized areas (population 200,000 or more). The governor or governor’s designee (in Texas, the TxDOT Public Transportation Division) is the recipient for all areas under 200,000 in population. Subrecipients may be local government authorities, private nonprofits, or private operators of public transportation receiving the grant indirectly.

**Changes under MAP-21**

MAP-21 made major changes to the Section 5310 program.

**Apportionments.** Under SAFETEA-LU, FTA apportioned all Section 5310 funding to states for allocation. Under MAP-21, FTA apportions Section 5310 funds directly to large urbanized areas with populations of 200,000 or more and to states for all areas with populations less than 200,000.

**New Freedom consolidated.** MAP-21 consolidated the Section 5310 Elderly and Disabled and the Section 5317 New Freedom Programs into the Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities Program. The competitive selection process is now optional.

**Eligible activities.** At least 55 percent of program funds must be spent on the types of capital projects eligible under the former Section 5310—public transportation projects planned, designed, and carried out to meet the special needs of seniors and individuals with disabilities when public transportation is insufficient, inappropriate, or unavailable. Purchase of service is an eligible expense to be reimbursed as a capital project (80 percent federal funds and a 20 percent local match). The remaining 45 percent may be used for operations. Eligible projects include public transportation services that exceed the requirements of the Americans with Disabilities Act (ADA), public transportation projects that improve access to fixed-route service and
decrease reliance on paratransit, and alternatives to public transportation that assist seniors and people with disabilities. Using Section 5310 funds for operating expenses requires a 50 percent local match.

**Section 5340 Growing States and High-Density States Formula Program**

SAFETEA-LU established the Growing States and High-Density States Formula Program to apportion additional funds by formula to Section 5307 and Section 5311 grant recipients. The program continues in MAP-21. Section 5340 funds appropriated in FY 2013 were $519 million.

Under the Section 5340 formula, half of the funds are made available under the Growing States factors, and the other half of the funds are made available under the High-Density States factors. The funds are apportioned as follows:

- The Growing States funds are apportioned based on state population forecasts for 15 years beyond the most recent decennial census. Amounts apportioned for each state are then allocated to urbanized and rural areas based on the state’s urban/rural population ratio.
- The High-Density States factors distribute the other half of the funds to states with population densities greater than 370 people per square mile.

Texas is eligible only for the Growing States factors. As required by statute, FTA apportions Section 5340 funds with the Section 5307 Urbanized Area and Section 5311 Non-urbanized Area Programs.

**Section 5339 Bus and Bus Facilities Program**

The new Bus and Bus Facilities formula grant program replaces the previous Section 5309 discretionary Bus and Bus Facilities Program. The capital program provides funding to replace, rehabilitate, and purchase buses and bus-related equipment, and to construct bus-related facilities. Each year, $65.5 million is allocated to all states, with each state receiving $1.25 million and each territory (including the District of Columbia and Puerto Rico) receiving $500,000. The remaining funding is distributed by formula based on population, vehicle revenue miles, and passenger miles. Eighty-seven percent of the remaining funds go to UZAs with populations over 200,000. The federal match for Section 5339 is 80 percent; the required local match is 20 percent.

**Eligible Recipients**

FTA apportions funds to states for all areas under 200,000 in population and to designated recipients in large urbanized areas (population of 200,000 and more). The governor or governor’s designee (in Texas, the TxDOT Public Transportation Division) is the recipient for all areas under 200,000 in population. Subrecipients may be public agencies or private nonprofit organizations engaged in public transportation.
**Changes under MAP-21**

MAP-21 made major changes to the Bus and Bus Facilities Program.

**Formula program.** The Bus and Bus Facilities Program changed from a discretionary program to a formula program and dropped from representing 10 percent of the federal transit program in FY 2012 to 5 percent in FY 2013. Designated recipients receive a smaller funding allocation due to a smaller program. Under MAP-21, transit agencies and states no longer have the ability to pursue discretionary funding for specific projects.

**Transfer.** The state may transfer funds to supplement urban (Section 5307) and rural (Section 5311) formula grant programs.

**Section 5337 State of Good Repair**

Section 5337 is a new formula-based funding category dedicated to repairing and upgrading the nation’s rail transit systems along with high-intensity motor bus systems that use high-occupancy vehicle lanes, including BRT.

**Eligible Recipients**

State and local government authorities in urbanized areas with fixed guideway public transportation facilities operating for at least seven years are eligible to receive Section 5337 funds.

**Eligibility to Receive Urbanized Area Formula Funds**

A primary eligibility requirement for funding under the Section 5307 Urbanized Area Formula Program and Section 5339 Bus and Bus Facilities Program is the designation of a grant recipient (designated recipient).

**Large Urbanized Areas**

For urbanized areas with 200,000 or more in population, Section 5307 and Section 5339 funds are apportioned and flow directly to a designated recipient(s) selected locally to apply for and receive federal funds. The governor of the state, responsible local officials, and publicly owned operators of transit services jointly designate the recipient to apply for, receive, and dispense funds.

The designated recipient (or recipients) in each urbanized area must be a public body and have the legal authority to receive and dispense federal funds in the urbanized area. The Dallas–Fort Worth–Arlington urbanized area has three designated recipients:

- Dallas Area Rapid Transit (DART).
- Fort Worth Transportation Authority (The T).
- North Central Texas Council of Governments (NCTCOG) (for all cities and unincorporated areas in the urbanized area but not part of DART or The T).
Other large urbanized areas in Texas have only one designated recipient. For example, VIA Metropolitan Transit is the single designated recipient for the San Antonio urbanized area. The Metropolitan Transit Authority of Harris County (Houston METRO) is the single designated recipient for the Houston urbanized area.

**Small Urbanized Areas**

For urbanized areas under 200,000 in population, the funds are apportioned to the governor of each state for distribution. The state’s governor or the governor’s designee(s) is (are) the designated recipient(s) for urbanized areas under 200,000 in population. (The local grantee for an urbanized area under 200,000 is a direct recipient.)

**Designated Recipients, Direct Recipients, and Subrecipients**

A designated recipient may authorize another public agency to be the direct applicant for Section 5307 and Section 5339 funds (direct recipient). This authorization may be made on a one-time basis or at the time of each application submission, at the option of the designated recipient. The direct recipient may apply for some or all of the urbanized area’s Section 5307 apportionment if all of the following apply:

- The designated recipient authorizes the public agency to do so.
- The public agency submits its own grant application.
- Upon award of the grant, the designated recipient and the public agency execute a supplemental agreement, which releases the designated recipient from any liability under the grant agreement.

A designated recipient or direct recipient may choose to pass its grant funds through to another agency to carry out the purposes of the grantee’s agreement with FTA (subrecipient). To do this, the grantee must enter into a written agreement with the subrecipient that assures FTA that the grantee will be able to comply with its obligation to satisfy the requirements of the grant agreement. A pass-through arrangement does not relieve the grantee of its responsibilities to carry out the terms and conditions of the grant agreement.

In those urbanized areas with more than the designated recipient, FTA expects local officials, operating through the MPO, and designated recipients to determine the allocations together. The subarea allocation should be determined fairly and rationally through a process agreeable to the designated recipients. FTA may request a written agreement signed by a representative of each entity involved. In North Central Texas, for example, NCTCOG administers the allocation process, and the fund allocation is subject to approval by the Regional Transportation Council.

The flow of FTA funds for formula programs (Section 5307/5340, Section 5311/5340, Section 5310, and Section 5329) is illustrated in the appendix.
Other Significant FTA Programs under MAP-21

Other significant provisions of MAP-21 address private-sector participation in public transportation programs and new federal funding levels for certain vehicle purchases, transit asset management, and safety management systems.

Designation of Regional Transportation Planning Organizations
Regional transportation planning organizations comprised of volunteer local government and transportation officials may be designated to assist the state in addressing the needs of nonmetropolitan areas. Accordingly, “statewide planning” has been renamed “statewide and nonmetropolitan planning” to signify the important role local officials play in the development of statewide plans and programs in nonmetropolitan areas of states.

Private-Sector Participation
MAP-21 emphasizes the importance of the private sector as a partner in the provision of public transportation across America. MAP-21 requires FTA to provide technical assistance requested by project sponsors and grantees on best practices and methods for using private providers of public transportation. MAP-21 also requires FTA to identify public transportation laws, regulations, or practices that impede public-private partnerships or private investment in transit capital projects. FTA must also develop procedures through regulation to address these legal impediments, as well as procedures to protect the public interest and any public investment in public transportation capital projects that involve public-private partnerships or private investment. FTA must also develop guidance to promote greater transparency and public access to public-private partnership agreements.

A new pilot program for expedited project delivery established under Section 5309’s New Starts/Small Starts may provide opportunities for public-private partnerships. A new provision related to private providers of vanpool service expands what is eligible as local match and permits excess revenues to be used to acquire rolling stock for use in the service area.

Government Share for Vehicles, Equipment, and Facilities to Comply with the ADA
An FTA grant used for acquiring vehicles to comply with or maintain compliance with the ADA can now cover 85 percent of net project costs. FTA grants for vehicle-related equipment or facilities needed to comply with or maintain compliance with the ADA remain at 90 percent of net project costs of the equipment or facilities attributable to compliance with the act (the incremental cost).

Transit Asset Management
MAP-21 requires that all FTA grantees develop a transit asset management (TAM) plan to ensure transit systems are maintained in a state of good repair (SGR). FTA is currently defining SGR, based on public comment. Next, FTA will establish performance measures, and recipients will be required to set targets. Additional instructions on TAM reporting are forthcoming from TxDOT, pending additional direction from FTA.
**Safety Management System**

MAP-21 established the Safety Management System (SMS), which is made up of three programs:

- The National Safety Plan will set national safety properties through performance-based requirements and will define a process for collecting standardized industry data.
- The Transit Agency Safety Plan requires that agencies set performance targets for safety based on requirements in the National Safety Plan.
- The Safety Certification Training Program is intended to improve the technical competency of safety oversight professionals.

FTA is currently developing the SMS. TxDOT is responsible for defining safety plan requirements for small urban and rural transit providers. Additional instructions on SMS performance targets are forthcoming from TxDOT, pending additional direction from FTA.

**Other USDOT Sources of Federal Funding for Transit**

In addition to FTA grant programs, FHWA administers programs that provide the flexibility to transfer funds to FTA for transit projects. This section highlights three of these programs:

- **National Highway Performance Program (23 USC 119)**: used for transit capital projects that will reduce delays or produce travel time savings on certain highways.
- **Surface Transportation Program (23 USC 133)**: provides flexibility in the use of funds (as capital funding) for public transportation capital improvements.
- **Congestion Mitigation and Air Quality Improvement (CMAQ) Program (23 USC 149)**: covers areas that are in nonattainment of air quality standards. The CMAQ Program provides federal funding for projects that improve air quality and reduce congestion.

**National Highway Performance Program (23 USC 119)**

MAP-21 allows funding from the National Highway Performance Program to be used for transit capital projects if the following criteria are met (7):

(a) A transit project is in the same corridor as, and in proximity to, a fully access-controlled highway designated as a part of the National Highway System.

(b) The transit construction or improvements will reduce delays or produce travel time savings on the fully access-controlled highway described in (a) and improve regional traffic flow.

(c) The construction or improvements are more cost-effective, as determined by benefit-cost analysis, than an improvement to the fully access-controlled highway described in (a).

**Surface Transportation Program (23 USC 133)**

The Surface Transportation Program (STP) provides the greatest flexibility in the use of funds. These funds may be used as:
• Capital funding for public transportation capital improvements, carpool and vanpool projects, fringe and corridor parking facilities, bicycle and pedestrian facilities, and intercity or intracity bus terminals and bus facilities.

• Funding for planning for surface transportation planning activities, wetland mitigation, transit research and development, and environmental analysis.

• Funding for other eligible projects, including transit safety improvements and most transportation control measures. Transportation control measures are strategies intended to reduce vehicle use or improve traffic flow and include, but are not limited to, improved public transit, traffic flow improvements and high-occupancy vehicle lanes, shared ride services, pedestrian/bicycle facilities, and flexible work schedules (8).

STP funds are distributed among various population and programmatic categories within a state. In Texas, STP Metropolitan Mobility funds are made available to transportation management areas (metropolitan planning areas containing urbanized areas over 200,000 in population). TxDOT programs the STP funds that are set aside for areas with a population under 200,000 (small urban areas and rural areas).

Congestion Mitigation and Air Quality Improvement Program (23 USC 149)

Areas that do not meet National Ambient Air Quality Standards for selected air pollutants (carbon monoxide, ozone, and particulate matter) are called nonattainment areas. The U.S. Environmental Protection Agency designates these areas as having air pollution levels that are at times unhealthy for human beings according to standards set by the Clean Air Act. When air quality in a nonattainment area improves and meets these federal air quality health standards, the area is no longer designated as nonattainment and becomes a maintenance area. Maintenance areas must continue to take actions to ensure that measured air quality does not become worse and the area continues to meet federal clean air standards (9).

Eligible Activities and Recipients

The CMAQ Program provides federal funding to state departments of transportation for projects that improve air quality and reduce congestion. The CMAQ Program improves air quality by funding transportation projects and programs that reduce air emissions from cars, trucks, and buses (mobile sources) in air quality nonattainment and maintenance areas, which are the only areas eligible for CMAQ funding. Congress authorizes and appropriates funding for the CMAQ Program, and FHWA then distributes CMAQ funds to state departments of transportation based on populations living in air quality nonattainment and maintenance areas. The distribution formula takes into account the severity of regional air quality problems. State departments of transportation are responsible for distributing CMAQ funds.

Changes under MAP-21

MAP-21 reauthorized the CMAQ Program. While project eligibility remains basically the same, the legislation places considerable emphasis on diesel engine retrofits and other efforts that underscore a new priority on reducing fine particle pollution. The CMAQ Program also has new
performance-based features. USDOT will establish measures for states to assess traffic congestion and on-road mobile source emissions. Each MPO with a transportation management area of more than 1 million in population representing a nonattainment or maintenance area is required to develop and update biennially a performance plan to achieve air quality and congestion reduction targets.

**Non-USDOT Federal Revenues**

In addition to USDOT grant programs, other sources of funding for transit come from a variety of federal agencies, such as:

- Medical Transportation Program (Medicaid) for Non-Emergency Medical Transportation.
- Community Development Block Grants.
- Department of Assistive and Rehabilitative Services.
- Department of Aging and Disability Services.
- Area Agency on Aging.

In most cases, other sources of funding for transit are available only to the extent that transportation is supportive of the primary purpose of the federal agency. Most of these funds flow from the federal department to a state agency or local government for allocation to programs to fund transit services.
State Funding

Authority for the Texas Transportation Commission to allocate state and federal funds is defined in the Texas Transportation Code, Chapter 456 State Financing of Public Transportation. Eligible recipients for Texas state transit funds are rural and urban transit districts, as provided in the Texas Transportation Code, Chapter 458 Rural and Urban Transit Districts. The administrative procedures for the allocation of funds are described in the Texas Administrative Code, Title 43 Transportation, Part 1 Texas Department of Transportation, Chapter 31 Public Transportation.

Texas Transit Funding Formula

The Texas Legislature appropriates state funding levels each biennium. TxDOT allocates the funds according to the Texas transit funding formula, illustrated in Figure 2. The amount to which the funding formula applies is $57,482,135 per biennium, or less as appropriated by the legislature ($28,741,068 per fiscal year). State funding is split 65 percent to rural transit districts ($18,681,694) and 35 percent to state-funded urban transit districts ($10,059,373). Federal Section 5311 funds are distributed to rural transit districts using the same formula.

Source: Texas Transportation Code, Chapter 456 State Financing of Public Transportation.

Figure 2. Texas Transit Funding Formula.
If the biennium appropriation exceeds $57,482,135, TxDOT has the discretionary authority to award the remaining funds to mitigate the impacts of the 2010 Census on the allocation of formula funds to urban and rural transit districts. This provision expires August 31, 2017.

**Measures of Needs and Performance**

In 2014, TxDOT allocated state funds to 30 eligible urban transit districts and 37 rural transit districts using the Texas transit funding formula. The formula allocates funds to each transit provider according to “needs” and “performance.”

*N needs*

The portion of the formula attributed to needs is allocated to:

- Urban transit districts based on population in each UZA (100 percent).
- Rural districts based upon population (75 percent) and land area (25 percent).

The urban funds are allocated in two tiers:

- **First tier:** all public transportation providers in urban areas that serve the general public.
- **Second tier:** four districts that are “limited eligibility providers.” Limited eligibility providers restrict transit eligibility for public transportation to the elderly and persons with disabilities (Arlington, Northeast Transportation Services, Grand Prairie, and Mesquite). These four providers are in a separate pool of urban funds, and performance is compared within the four providers. In addition, state funds to the four districts are limited by statute to funding not to exceed the 1996–1997 biennium level.

For any public transportation provider that operates in an urban area with a population equal to or greater than 200,000, the maximum population of 199,999 is used for allocation of funding for need.

*Performance*

Several measures are used to allocate the performance-based funds. Each of the four performance measures for urban transit districts is weighted differently:

- Passengers per revenue mile—30 percent.
- Revenue miles per operating expense—20 percent.
- Local investment per operating expense—30 percent.
- Passengers per capita—20 percent.

The total service area population is used for the passengers-per-capita measure.

---

3 The three performance measures for rural transit districts are weighted equally (33.33 percent each): passengers/revenue mile, revenue miles/operating expense, and local investment/operating expense.
Local Revenue Sources

Transit authorities and municipal transit departments have access to a local sales tax dedicated to transit. Urban transit districts do not have access to a local sales tax and must find local funds for operating and capital from other sources.

This section explains the funding sources of local revenues for urban transit districts in Texas for state FY 2014. Table 6 summarizes the sources of local revenues reported by the 30 urban transit districts in Texas. The percent represents the portion of total revenues (see Table 3).

Table 6. Summary of Local Revenues by Source for Urban Transit Districts (State FY 2014).

<table>
<thead>
<tr>
<th>Sources of Local Revenues</th>
<th>Percent of Total Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fares</td>
<td>$15,385,269 11.4</td>
</tr>
<tr>
<td>Sales tax (Laredo only)</td>
<td>$6,425,615 4.8</td>
</tr>
<tr>
<td>Local contributions (cash)</td>
<td>$20,866,164 15.5</td>
</tr>
<tr>
<td>Contributed services (non-cash)</td>
<td>$7,980,420 5.9</td>
</tr>
<tr>
<td>Auxiliary transit revenues</td>
<td>$1,295,750 1.0</td>
</tr>
<tr>
<td>Other transportation revenues</td>
<td>$435,498 0.3</td>
</tr>
<tr>
<td>Non-transit-related revenues</td>
<td>$1,604,666 1.2</td>
</tr>
<tr>
<td>Other contracts</td>
<td>$5,732,149 4.3</td>
</tr>
<tr>
<td><strong>Local revenues</strong></td>
<td><strong>$59,725,531 44.4</strong></td>
</tr>
</tbody>
</table>

Source: Texas Department of Transportation Public Transportation Division, PTN-128 data reported by each transit district for FY 2014.

Types of Revenue Sources

Fares

Fare revenues are revenues earned from carrying passengers, reflecting the amount of fare the passengers pay on their own behalf. Passenger fares may be collected before, at the point of, or after service is provided. Passenger fares are usually the amounts paid by the rider to use transit services but may also include special transit fares. Passenger fares may include special programs such as reduced passes or ticket prices for students, the elderly, or individuals with disabilities.

Passenger fares do not include subsidies or passenger fare assistance from other entities, such as local governments, to provide a reduced fare or free fare. Subsidies are provided to support the general provision of transit service. Passenger fare assistance is targeted to help specific classes of users (e.g., senior citizens and students) and helps to offset the reduced or free fares offered to these users. Subsidies and fare assistance are reported in the appropriate state and local government source of funds.

Sales Tax

If a transit agency is an independent political entity and has the legal authority to impose a dedicated tax, this tax is called a directly levied tax. If the tax is levied by the legal authority of
the local or state government for transit use, it is reported under local or state government sources of funds.

Laredo is the only urban transit district with a local sales tax dedicated to transit.

**Local Contributions (Cash)**

Local contributions are funds allocated to transit out of general revenues of another entity. These funds are often part of the government’s annual budgeting process from general revenues rather than dedicated funds for transit. These funds assist with paying the operating and capital costs of providing transit.

**Contributed Services (Non-cash)**

Contributed services are receipt of non-cash assets or services from another entity that benefits the transit operator. In-kind services are a type of contributed services, reported as contributed services only if there is no obligation to pay for the services. Contributed services include physical assets or services that the agency has objective control of and that have value that benefits people outside the contributor’s organization, such as building space or staff time.

**Auxiliary Transit Revenues**

Auxiliary transit revenues are generated from the byproducts of the transit service, such as advertisements on vehicles, concessions in station areas, fees paid for transit ID cards, or fines paid for fare evasion.

**Other Transportation Revenues**

Other transportation revenues include transportation services that are not open to the general public such as charter service and exclusive school bus service:

- **Charter service** is a vehicle hired for exclusive use that does not operate over a regular route on a regular schedule and is not available to the general public.
- **Exclusive school bus service** is the use of buses to carry children and school personnel to and from their schools or school-related activities.

**Non-Transit-Related Revenues**

Non-transit-related revenues are funds earned from activities not associated with the provision of transit service. The sources of these funds can include investment earnings, sales of maintenance services, rentals of revenue vehicles, rentals of transit agency buildings and property, parking fees, non-specified donations or grants, development fees, or rental car fees.

**Other Contracts**

Other contracts include funds earned from non-federal or state contracts. The contracts are typically from a local governmental authority such as a city, county, or other transit agency. Contracts can also be from a privately funded source. As opposed to charter or special service provided through other transportation revenues, other contracts include revenues from a regularly provided transit service or route(s).
Examples of Applied 2014 Revenues for Urban Transit Districts

This subsection documents significant sources of revenue other than fares and local government and non-government cash contributions. Table 7 documents the applied revenues for urban transit districts in state FY 2014.

Brownsville

Non-Transit-Related Revenues
Brownsville generated $463,153 from leasing space in the international/intermodal terminal.

Other Contracts
A contract for service with The University of Texas at Brownsville and Texas Southmost College brought in $138,308 in revenue. The Brownsville urban transit district earned a grant award of $134,464 from the Brownsville Community Improvement Corporation for purchase of communication software during FY 2014.

College Station–Bryan

Contributed Services (Non-cash)
The Brazos Transit District reported Texas A&M University Transportation Services as a contributed service revenue and expense for the College Station–Bryan transit district.

Laredo

Sales Tax
Laredo changed from a small urban to a large urban area under the 2010 Census, but the municipal transit department is grandfathered for state funding. Laredo is the only transit system with a local sales tax dedicated to transit that also receives state funding. Revenues from the 0.25 percent local sales tax in 2014 were $6.4 million.

Non-Transit-Related Revenues
Laredo generated revenues from leasing space in the city’s international/intermodal terminal, daily and monthly parking fees, and telecom rentals for private equipment attached to the building.

Auxiliary Transit Revenues
Laredo reported revenues from advertisements on board vehicles.
<table>
<thead>
<tr>
<th>Applied Revenues 2014</th>
<th>Federal Total Revenues</th>
<th>Other Federal Total Revenues</th>
<th>State Total Revenues</th>
<th>Fares</th>
<th>Sales Tax</th>
<th>Local Cash Contributions</th>
<th>Contributed Non-Cash</th>
<th>Auxiliary Non-Trans</th>
<th>Other Non-Trans</th>
<th>Other Contracts</th>
<th>Local Total Revenues</th>
<th>2014 Total Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abilene</td>
<td>$1,771,168</td>
<td>$363,021</td>
<td>$337,273</td>
<td>$414,274</td>
<td>$0</td>
<td>$621,090</td>
<td>$0</td>
<td>$17,312</td>
<td>$25,506</td>
<td>$13,375</td>
<td>$25,622</td>
<td>$1,117,179</td>
</tr>
<tr>
<td>Amarillo</td>
<td>$2,289,261</td>
<td>0</td>
<td>$393,842</td>
<td>$210,617</td>
<td>$0</td>
<td>$1,443,219</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$2,653,836</td>
</tr>
<tr>
<td>Arlington</td>
<td>$1,181,451</td>
<td>$243,739</td>
<td>$125,105</td>
<td>$314,765</td>
<td>$0</td>
<td>$3,979,336</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$4,494,101</td>
<td>$5,366,050</td>
</tr>
<tr>
<td>Beaumont</td>
<td>$497,087</td>
<td>$374,862</td>
<td>$534,765</td>
<td>$1,300,438</td>
<td>$0</td>
<td>$1,583,182</td>
<td>$2,188,163</td>
<td>$124,020</td>
<td>$463,153</td>
<td>$382,041</td>
<td>$3,871,357</td>
<td>$10,039,106</td>
</tr>
<tr>
<td>Brownsville</td>
<td>$4,494,634</td>
<td>$1,673,115</td>
<td>$514,765</td>
<td>$285,067</td>
<td>$0</td>
<td>$1,039,769</td>
<td>$6,423,236</td>
<td>$0</td>
<td>$34,578</td>
<td>$31,897</td>
<td>$7,814,547</td>
<td>$9,582,614</td>
</tr>
<tr>
<td>College Station-Bryan</td>
<td>$557,909</td>
<td>$472,176</td>
<td>$737,982</td>
<td>$1,773</td>
<td>$0</td>
<td>$179,895</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$181,668</td>
<td>$754,936</td>
</tr>
<tr>
<td>Grand Prairie</td>
<td>$394,433</td>
<td>$178,835</td>
<td>$642,392</td>
<td>$42,555</td>
<td>$0</td>
<td>$237,923</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$280,478</td>
<td>$1,101,263</td>
</tr>
<tr>
<td>Harlingen</td>
<td>$550,947</td>
<td>$269,838</td>
<td>$642,392</td>
<td>$314,894</td>
<td>$0</td>
<td>$202,411</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$517,305</td>
<td>$4,487,128</td>
</tr>
<tr>
<td>Killeen-Copperas Cove</td>
<td>$2,325,514</td>
<td>$882,699</td>
<td>$761,610</td>
<td>$63,496</td>
<td>$0</td>
<td>$295,576</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$359,072</td>
<td>$1,477,137</td>
</tr>
<tr>
<td>Lake Jackson-angleton</td>
<td>$892,699</td>
<td>$225,366</td>
<td>$63,496</td>
<td>$3,422,498</td>
<td>$6,425,615</td>
<td>$0</td>
<td>$67,871</td>
<td>$0</td>
<td>$600,771</td>
<td>$0</td>
<td>$10,436,755</td>
<td>$14,559,498</td>
</tr>
<tr>
<td>Laredo</td>
<td>$3,547,236</td>
<td>$575,507</td>
<td>$3,342,498</td>
<td>$205,367</td>
<td>$0</td>
<td>$300,793</td>
<td>$0</td>
<td>$145,001</td>
<td>$0</td>
<td>$651,161</td>
<td>$2,370,850</td>
<td></td>
</tr>
</tbody>
</table>
| Longview              | $1,451,031            | $268,658                    | $205,367            | $995,014  | $0       | $2,185,870              | $428,673            | $194,697         | $0              | $3,641,832        | $7,466,086          | $12,432,648       |}

Table 7. Revenues for Urban Transit Districts—Applied for Operating and Capital Expenses (State FY 2014).

Source: Texas Department of Transportation, Public Transportation Division, PTN-128 data reported by each transit district for fiscal year 2014.
Longview

Non-Transit-Related Revenues
Longview generated $145,001 from maintenance services performed through its regional maintenance agreement with GoBus, the rural transit system in East Texas.

Lubbock

Auxiliary Transit Revenues
Lubbock Citibus earned revenues from advertisements on board vehicles.

Other Contracts
Citibus reported over $3.6 million in revenues for contracted services for Texas Tech University.

McAllen

Non-Transit-Related Revenues
The City of McAllen generated $314,030 from leasing space in the international/intermodal terminal.

The Woodlands

Contributed Services (Non-cash)
Revenues came from The Woodlands Township for providing security and maintenance for the mall and trolley routes.

Other Contracts
Revenues came from The Woodlands Township for operation of trolleys and water taxi service.

Waco

Auxiliary Transit Revenues
Waco Transit reported revenues from advertisements on board vehicles.

Other Contracts
Waco Transit reported $509,883 in revenues from contract services for the Baylor University Shuttle.

Wichita Falls

Auxiliary Transit Revenues
Wichita Falls reported $98,990 in revenues from advertising on buses each month.
Other Transportation Revenues
Wichita Falls received $49,747 in revenues from Midwestern State University to operate a shuttle route transporting students from apartment complexes to the campus.
References


5. Texas Administrative Code, Title 43 Transportation, Part 1 Texas Department of Transportation, Chapter 31 Public Transportation.


7. Title 23, United States Code, Section 119 National Highway Performance Program.

8. Title 23, United States Code, Section 133 Surface Transportation Program.

9. Title 23, United States Code, Section 149 Congestion Mitigation and Air Quality Improvement Program.
Appendix: Federal Funding Programs—Flow of Funds

FTA Formula Fund Programs

- **Section 5307 Urbanized Area Program**
  - Includes Job Access Reverse Commute (JARC) and Section 5340 Growing States

- **Section 5311 Non-Urbanized Area (Rural) Program**
  - Includes Job Access Reverse Commute (JARC) and Section 5340 Growing States

- **Section 5339 Bus and Bus Facilities Program**
  - New formula program for all agencies operating bus service

- **Section 5310 Elderly and Disabled Program**
  - Merges with New Freedom Program to establish formula program for all agencies

**Designated Recipient**
- Entry selected by the State's governor, responsible local officials, and publicly owned operators of public transportation to "receive and apportion" the amounts made available by FTA to a particular State or Transportation Management Area (TMA)
- State is generally the State Department of Transportation (TxDOT in Texas)
- TMA is generally an urbanized area with population 200,000 or more

**Direct Recipient**
- Direct recipient is an eligible entry authorized by a State or Designated Recipient to receive Urbanized Area Formula Program (Section 5307) funds directly from FTA

**Subrecipient**
- An entity that receives FTA funds via a pass-through agreement with a State, Designated Recipient, or Direct Recipient whereby the original recipient remains responsible for compliance with all terms, conditions, and requirements associated with the grant
FTA Section 5310 Funds

FTA

TxDOT
Designated Recipient

Large Urban Area
Over 200,000

Subrecipients
Local governments,
Private non-profits,
Private operators

Designated Recipients