FOCUS AREA 3

FULLY UTILIZE ALL AVAILABLE FUNDING TOOLS

Fundamentally, metropolitan planning organizations (MPOs) exist to play a role in allocating billions in transportation spending. Making the most of that role, however, requires navigating a thicket of programs, rules and relationships. The most important of those relationships, arguably, is that with the state Department of Transportation, through which federal dollars flow. MPOs also must coordinate with other recipients of federal funds, such as regional transit authorities, to ensure that the projects receiving funds are consistent with the region's vision and plans.

Most federal funds are authorized for different categories, such as public transit, national highways and transportation alternatives. These pots of funding are then distributed to states or transit agencies through Congressionally mandated formulas. A portion of each state's funds is targeted directly to metropolitan areas through a process called "sub-allocation." Although the share of dollars exclusively within an MPO's purview is small, there are two key avenues for shaping how money gets spent in your region: 1) by making the most of the flexibility available in federal dollars, and 2) by using MPO authority to set criteria for prioritizing projects.

The federal surface transportation program has two primary funding programs: 1) the "highway program" (Title 23), and 2) the "transit program" (Title 49). The 2012 update to the federal program, known as MAP-21, allows MPOs and DOTs to transfer formula funds from the highway program to the transit program. Under Title 23, the largest pots of formula funds that MPOs can use to fund projects are the Surface Transportation Program (STP), the Congestion Mitigation and Air Quality Program (CMAQ) and the Transportation Alternatives Program (TAP). Under Title 49, they are the Urbanized Area Transit Formula Funds, Elderly and Disabled Funds and the Bus and Bus Facilities Program.[1] The table on the following page provides additional information on the eligibility of these programs.

Other programs provide state DOTs with money to invest in the National Highway System and safety improvements. Eligibility for each program is governed by federal statutes and regulations. Federal funds generally can be used on a broader set of transportation projects than is often possible with state funding, but they also bring requirements that can add time and cost to a project.

Projects begin the journey toward funding eligibility when MPOs include them in the long-range Metropolitan Transportation Plans (MTP) that create the 20-year framework of policies, goals and recommended investments. They move a step closer when included in the Transportation Improvement Programs (TIP), which list projects to be funded in the upcoming four or five years. MPOs lead the processes for shaping and approving both documents. The challenge is to make sure these are not just "stapling exercises" — merely compiling local and state wish lists with little attempt to shape the complete package to make the most efficient and beneficial use of resources for the region as a whole.

1 Transportation for America has developed a number of resources that describe these programs including currently authorized funding levels, eligibility and how they are allocated to states and MPOs: http://t4america.org/maps-tools/map-21/

Highway Programs	Eligibility	Percentage of Highway Funds
Surface Transportation Program (STP)	Highway, bridge, transit and safe streets projects on the National Highway System and other federal-aid highways; and repair work on off-system bridges	26.7%
National Highway Performance Program (NHPP)	Repair and new construction of highways and bridges on the National Highway System	58%
Congestion Mitigation and Air Quality Improvement (CMAQ)	Highway, transit and safe street projects that improve air quality, relieve congestion and help meet national ambient air quality standards.	5.9%
Transportation Alternatives (TA)	Safe streets projects, including bike, pedestrian and Complete Streets infrastructure	2.2%
Highway Safety Improvement Program (HSIP)	Projects consistent with the state strategic highway safety plan, including improvements to intersections, signage, grade separations, pavement and safe streets projects	6.4%
Metropolitan Planning (PL)	Activities to support metropolitan planning	0.83%
Transit Programs	**Eligibility**	**Percentage of Transit Funds**
New Starts (competitive)	Major new streetcar, light rail, bus-rapid transit and heavy rail transit projects, including extensions and capacity improvements to existing lines	18%
Urbanized Area Formula Grants (5307 - Formula)	New bus and rail capital projects and capital maintenance work on existing systems in urban areas with a population over 50,000; may be used to cover operating costs in urban areas with a population under 200,000	41.6%
Formula Grants for Enhanced Mobility of Seniors and Persons with Disabilities (5310 - Formula)	Capital and operating expenses that support transportation to meet the special needs of older adults and persons with disabilities	2.4%
Formula Grants for Rural Areas (5311 - Formula)	Capital, operating and planning expenses for public transportation projects that meet the needs of rural communities	5.7%
State of Good Repair Grants (5337 - Formula)	Maintenance projects for existing fixed-guideway rail and bus systems, including vehicles, track, structures, communications, etc.	20.2%
Bus and Bus Facilities (5339 - Formula)	Purchase, rehabilitation and repair of buses and bus facilities	4.0%
Additional Programs	**Eligibility**	**Funding**
Projects of National and Regional Significance (competitive)	Highway, bridge, transit and certain types of freight projects with a total cost of at least $500 million	FY13 $500 million FY14 $0
TIFIA Loan Program [first-come, first-serve]	Provides loans for highway, bridge, transit, intermodal, port access and freight transfer facility projects	FY13 $750 million FY14 $1 billion
TIGER Program [not an authorized program]	Highway, bridge, transit, freight, port, walking and biking and multimodal projects.	FYI13 $500 million FY14 $0

References: This information comes from page 19 of Transportation for America's Making the Most of MAP-21 Handbook, available at: http://t4america.org/maps-tools/map-21/.

STP funding is the largest available funding program and is part of the "Highway Title;" consequently, most MPOs and DOTs default to spending it on road projects. However, these flexible dollars can be invested in a wider range of project types or to make roads work better for cars, bikes, buses and pedestrians. The savvy MPO makes full use of this flexibility, but doing so requires you to be nimble and well-versed in the laws and regulations.

This chapter covers five specific innovative actions an MPO can take to make full use of available public resources and attract private capital to implement visionary transportation plans:

- **Set criteria to match funding with long-range policy goals**
- **Establish specific set-aside funding categories to advance specific regional priorities**
- **Blend funding programs to maximize eligibility**
- **Take advantage of federal flexible funding provisions to increase transportation options**
- **Support and oversee public-private partnerships**

SET CRITERIA TO MATCH FUNDING WITH LONG-RANGE POLICY GOALS

While MPOs spend considerable time and money to develop the long-range MTP, plans alone are not enough. The real opportunity for MPOs to shape the future is how they align criteria for the funding programs they control. This requires MPO staff and policy boards to examine processes they use to solicit proposed projects so that the competitive grants they administer can be made to serve the region's preferred policy goals, rather than devolve to the least common denominator.

The opportunity

As mentioned above, MPOs — working in coordination with state DOTs, local governments and transit agencies — have funding authority in two ways: 1) prioritizing projects in the MTP for programming in the four-year TIP and 2) selecting projects in the TIP for near-term implementation. That latter process typically is done through a regional solicitation or competitive grant process managed by the MPO.

Because the MPO Policy Board plays a critical role in this process, federal statutes require participation by local elected officials. Leadership is required to create criteria that support both local transportation needs while advancing important regional priorities. Matching criteria to policy goals gets projects implemented faster, demonstrates to the public the commitment by MPO leaders to the community's plans and priorities established in the MTP and can generate cost savings and system efficiencies.

Across all programs, projects prioritized for funding must be listed explicitly in the TIP and the State Transportation Improvement Program (STIP) and be consistent with the MPO-adopted MTP. For projects that meet these criteria, larger MPOs in Transportation Management Areas (TMA) also have authority to pick projects from the TIP for implementation that are funded with STP–Urban and Urbanized Transit Formula dollars, as well as under all other federal-aid highway and transit programs.

Exceptions are the National Highway System (NHS), Bridge, Interstate Maintenance and Federal Lands Highway programs, which fall under state DOTs purview.

Shaping the process for applying for discretionary funding. The STP, Congestion Mitigation and Air Quality (CMAQ) and Transportation Alternatives Programs (TAP) are allocated by regional discretion and thus local entities must apply for them. In shaping the application, the innovative MPO asks how the proposed project meets a number of specific goals taken from the MTP. For instance, does the proposed project advance motorized and non-motorized transportation needs, or how does the proposed project improve access to identified regional activity centers?

Establishing criteria for selecting projects. The innovative MPO awards extra points to projects that meet specific regional goals such as improving the condition of roadways and transit vehicles or increasing transit ridership through enhanced service and new routes to job centers that are currently underserved.[1]

Best practices for selecting projects for funding. The innovative MPO involves key stakeholders. This can be done through requiring letters of support from community groups, business leaders and other stakeholders; inviting public comment on the merits of proposed projects; and conducting open houses or other public forums to vet projects recommended for funding before finalizing the TIP.

Putting it into practice

Scoring projects based on performance goals. In the Kansas City region, the **Mid-America Regional Council (MARC)** allocates STP funds for bridges, bicycle/pedestrian projects, public transportation, roadway capacity, operations, management and safety. MARC includes explicit performance goals for roadways, transit and bicycle/pedestrian projects in the adopted MTP.[2] Projects requesting funding are scored and ranked based on their alignment with regional goals, performance, safety, environment and economic development. STP funds are awarded separately for Kansas and Missouri. MARC solicits projects from both states. Applications are scored and then submitted to each state's TIP selection committee and prioritized for funding. The score and rank, along with other factors, are used to select projects for recommendation to the "Total Transportation Policy Committee," which includes all the MPO Policy Board members and is then incorporated into the region's TIP.

Setting criteria for a special pot of air-quality mitigation funds. In Atlanta, **Atlanta Regional Commission (ARC)** works closely with Georgia DOT to shape the regional solicitation process and criteria for distributing CMAQ funds. ARC recently overhauled its regional solicitation process in response to a backlog of projects, cost over-run concerns and funding challenges.[3] The revised process includes a stronger focus on projects in existing urbanized areas, transit centers and along priority networks, including freight and rail corridors. ARC invites project sponsors to submit a Letter of Intent that articulates how the project aligns with regional goals and principles. Eligible projects that make a short list are then further developed collaboratively by ARC

1 Advocacy Advance, a partnership of the Alliance for Biking & Walking and the League of American Bicyclists, provides examples of regional applications developed to select projects for the Transportation Alternatives Program Competitive Grant Processes: www.advocacyadvance.org/site_images/content/MPO_TAP_(Final).pdf.

2 www.marc.org/transportation/lrtp.htm

3 ARC's CMAQ & TAP Call for Projects: www.atlantaregional.com/transportation/overview.

and the applicant. The goal is to ensure viable projects are selected to accelerate environmental approvals and construction. ARC also prioritizes projects that align with regional development and multimodal policies adopted in its 2011 "Plan 2040." ARC awards extra points to projects serving established "Equitable Target Areas" (ETAs)[1] with high concentrations of vulnerable and underserved populations and older adults. The process also takes the project's readiness into consideration, along with the sponsoring entity's past performance delivering projects on-time and on-budget.

Combining programs into a larger flexible fund. Portland Metro aligns transportation investments with regional development policies using guidance from the adopted MTP. Metro wraps CMAQ, STP and TAP federal transportation funds into an overall TIP process that it refers to as Regional Flexible Funding. Those dollars are allocated in a Metro-coordinated process aimed at reaching regional goals, such as advancing active transportation.[2] The application process uses targeted questions to identify projects in these areas. After identifying a project as eligible, the MPO selects which federal source is the most appropriate.

Metro provides policy guidance to Clackamas, Multnomah and Washington counties and their cities, which each nominate projects for funding in the TIP.[3] Public comment is sought for projects seeking funding. Projects are prioritized with state and transit agency input, as well as from sub-regional coordinating committees. Additionally, the funding application solicits details about how local agencies coordinate with other agencies.

In its most recent TIP, the **Denver Regional Council of Governments (DRCOG),** which serves the Denver region, blends CMAQ, STP and TAP funds.[4] Projects are balanced across modal types and investment levels but may be funded with a mix of different funding types depending on the project need and eligibility. Small communities receive special consideration with a lower minimum point score and are also evaluated through the committee selection process. State and transit agencies are an integral part of funding decisions. The Colorado Department of Transportation and the Regional Transportation District work with the MPO to review applications.

Source: Foster United

1 www.atlantaregional.com/transportation/community-engagement/social-equity
2 Metro Council resolution allocating funds for 2016-18 cycle available at http://rim.metro-region.org/webdrawer/webdrawer.dll/webdrawer/rec/264571/view/Metro%20Council%20-%20Metro%20Legislation%20-%20Reso~ble%20Funding%20for%20the%20Years%202016-18,%20Pending%20Air%20Quality%20Conformity%20Determination.PDF
3 www.oregonmetro.gov/tools-partners/grants-and-resources/regional-flexible-funding
4 DRCOG policy documents including scoring tables: www.drcog.org/documents/2012-2017 TIP - AdoptedMarch11.pdf

ESTABLISH SET-ASIDE FUNDING CATEGORIES TO ADVANCE SPECIFIC REGIONAL PRIORITIES

Growing numbers of MPOs are using the flexibility of federal programs to establish "set-asides" within STP and CMAQ that fund special regional priorities, such as fixing a backlog of bad bridges or overcoming a deficit in transit service.

The opportunity

MPOs can influence how federal transportation funds are spent through earmarking a portion of these funds to support specific regional priorities. Some MPOs use this process to ensure that larger-scale regionally significant projects receive a portion of federal funds. Other MPOs create set-asides specifically to fund projects in rural areas, or small local projects that may not be as competitive in a regional grant program. Set-asides can be used on a one-time basis to address a pressing need, or maintained across multiple TIP cycles. Establishing the solicitation and selection process involves technical input by planning staff to help work through the logistics, financing and policy implications.

Putting it into practice

Creating a set-aside for bridge safety. The **East-West Gateway Council in St. Louis,** like many regional agencies, has identified bridge maintenance and preservation as a critical issue. The Council, which serves as both the COG and MPO, is the only organization of local governments that spans the entire metro St. Louis region in Missouri and Illinois. The region is dependent on river crossings, which are vital to maintaining the flow of goods and people across the Mississippi. More than 20 percent of the region's bridges were classified as deficient in 2009.[1] Given the importance of bridges to the regional economy and safety, the Council places a high priority on their preservation.

The backlog became more daunting when MAP-21 eliminated the stand-alone highway bridge program. Transit faces similar funding constraints to improving its infrastructure and maintaining current service levels. As a result of set-asides, the current draft TIP maintains a strong focus on preservation projects and commits 39 percent of the total program to resurface and reconstruct roads, bridges and other aging transportation facilities.[2] Only six percent of the TIP is allocated for new highway capacity.[3] The Illinois Department of Transportation also uses set-asides to address state preservation and maintenance needs.

Creating a fund for projects related to build-out of a transit system. Set-asides can be a permanent tool used by MPOs to address regional priorities in the TIP, or can be used to address specific funding needs including leveraging private capital. In **Portland, Oregon the MPO** created a long-term set-aside of STP and CMAQ funds (totaling $144.8 million between 2012 and 2025) to fund large regional transit projects during light

1 www.ewgateway.org/pdffiles/Library/Trans/RTP2040/RTP-StateOfTheSystem-2011.pdf
2 www.ewgateway.org/pdffiles/Library/trans/tip/FY2015-2018/FY2015-2018TIP-Draft.pdf
3 *Ibid.*

rail construction.[1] This multi-year funding commitment was then used by the region in the commercial bond markets to secure additional financing, with the set-aside used for debt retirement.[2]

The **Innovation in Action** section at the end of this chapter includes a case study of the **Puget Sound Regional Council (PSRC)** in the Seattle-Tacoma metro area. The PSRC uses set-asides to advance a number of local and regional priorities, including identifying funds to support projects in rural towns and maintenance while increasing transportation options.

BLEND FUNDING PROGRAMS TO MAXIMIZE ELIGIBILITY

In an era of limited resources, simply funding traditional projects with traditional sources is unlikely to meet a region's needs. Innovative MPOs find creative ways to blend different federal, state and local funding sources together into a complete funding package to advance projects that will meet the region's goals.

The opportunity

MPOs receive funding from a variety of sources: federal programs, state appropriations and local dollars. It is easy to fall into the habit of using these funds the same way every year: Federal formula funds always go to certain types of projects, state funds are used for others, and so on. Innovative MPOs, however, look comprehensively at all available funding and blend multiple sources together to deliver priority projects faster and more efficiently.

Key questions to ask when determining how and when to blend funding:

1. **What funds are available to your region?** The first step is to scour for every unallocated dollar. There may be unallocated funds from programs in MAP-21's predecessor, SAFETEA-LU, such as Jobs Access and Reverse Commute, Highway Bridge Program and Transportation Enhancements, to name a few.[3] It is also possible that agencies may have unspent balances that could be used for other purposes, such as statewide planning dollars that can be transferred to metropolitan areas. Most federal transit funds flow directly to the local transit agencies, though additional funds may be available to support transit or vanpool services through federal Health and Human Services programs such as Medicare and Medicaid and the Administration on Aging.[4] MPOs that are part of a Council of Government (COG) or other regional agency may have access to additional revenues from tolling, sewer or water infrastructure. Are there local or regional funds available through sales tax or other measures such as bonding, tolling, airport or impact fees? What eligibilities or requirements do these funds entail? Can local partners contribute funding from capital improvement budgets?

1 MZ Strategies, LLC. (September 2013), "Regional Allocation of Federal Transportation Funds: A Comparative Analysis for the Metropolitan Council's Transportation Advisory Board."
2 Metro Resolution no. 10-4185 (adopted October 7, 2010).
3 SAFETEA-LU is shorthand for the federal surface transportation legislation authorized and funded through September 30, 2012. SAFETEA-LU provisions still apply to funds made available in FY2012 and prior fiscal years.
4 www.unitedweride.gov/NRC_FederalFundingUpdate_Appendix.pdf

2. What is eligible for funding? After assessing available resources the next step is to ensure that, where possible, flexible funds are preserved for those projects that might not be able to use other sources of funding. In general, federal funding programs such as STP, TAP and even transit formula funds have broader eligibility than state or local funds which are often dedicated to a specific mode. This is especially true if a state has constitutional restrictions on the use of gas tax revenues for non-highway purposes. On the other hand, some projects, such as parking garages, are harder to fund with federal resources but may be an eligible use of local or state funding. Multimodal projects may be especially well-suited for federal funding as they may combine highway, transit and bicycle or pedestrian elements and if located in air quality non-attainment or maintenance areas can also utilize CMAQ funds.

3. Can you avoid or reduce costs by using different funding sources or bundling projects together? Federal highway funds often involve complicated approval processes by both the state DOT and FHWA. Depending on the project's complexity or scope, other federal agencies may also be involved. Any project receiving federal funds must undergo an environmental review, steps that cost time and money.[1] For these reasons, MPOs may find it easier, cheaper and quicker to fund smaller-scale projects with local funds. Another strategy is to bundle smaller, similar projects within a single geographic area, such as local bicycle paths or Complete Street projects, to ensure that environmental review can be done in a coordinated fashion.

Putting it into practice

Blending CMAQ, STP and TAP. In its most recent TIP, **DRCOG**, which serves the Denver region, blends CMAQ, STP and TAP funds.[2] Projects are balanced across modes but may be funded with a mix of different funding sources depending on the project need and eligibility. Small communities receive special consideration by allowing a lower minimum point score and receive special consideration by the selection committee. The Colorado Department of Transportation and the Regional Transportation District work with the MPO to review applications.

Combining federal, state, local and tolling dollars for a Sustainable Development fund. In the Dallas–Fort Worth metro region, the **North Central Texas Council of Governments (NCTCOG**) uses all of its funding authority to pool tolling, state highway funds, local transportation revenues and available federal funds to match project type, need and efficacy. Representing 16 counties, two major metro areas and 230 member governments, the NCTCOG's service area is larger than 36 states in population and bigger in land area than the state of Massachusetts. It's no surprise that the MPO is thinking creatively about how to fund local and regional transportation needs. NCTCOG is responsible for services beyond its MPO role including workforce development and emergency preparedness and is a partner in the Regional Toll Revenue Program, which also allows it to tap into additional revenues.[3]

NCTCOG's Regional Transportation Council (RTC) is composed of local elected officials and transportation providers and serves as the region's policy board. The RTC has adopted an expansive policy of blending local,

1 Information on Federal Project Development and Environmental Review, including guidance on environmental streamlining under MAP-21, can be found at http://environment.fhwa.dot.gov/index.asp.

2 DRCOG policy documents including scoring tables: www.drcog.org/documents/2012-2017 TIP - AdoptedMarch11.pdf

3 www.nctcog.org/pa/WhatIsNCTCOG.pdf

state, regional and federal funds with a rigorous analysis of the most effective and best use of funds to meet regional priorities. In 2000 NCTCOG created a Sustainable Development Funding Program that uses blended funds "to encourage public/private partnerships that positively enhance existing transportation system capacity, provide increased rail access, address air quality concerns and result in mixed-use developments."[1] In 2007 the RTC established priorities, emphasis and set-asides to fund Sustainable Development initiatives funded by toll revenues.[2] Over $41 million has been allocated for projects that improve air quality by promoting mixed-use developments, support walkable communities or reinvest in existing communities.[3] Contributions by private developers are required and future toll revenues credited to local governments are pledged as local match, which allows the region to use federal obligation authority without the requirement of cash matches.[4]

Source: www.nctcog.org/trans/sustdev/fundingprogram.asp

The NCTCOG has encouraged the overmatch of local money to create the flexibility necessary to swap funds between a project funded with federal formula funds that require a 20 percent local match and other local projects. For illustration purposes, imagine a $100,000 local streetscape project comes forward that is eligible for 80% federal STP funding. At the same time a $1 million Complete Streets project is being pursued for STP dollars and local revenues are available to provide 30 percent of the project costs. Rather than "federalizing" the smaller project, the overmatch from the larger project could be applied to it so that the smaller project is 100% locally funded, while the larger project still meets the federal requirement for at least a 20 percent local match. This allows the 100 percent locally funded project to use the local RFP process and design standards rather than State Aid Standards administered by TxDOT or go through federal approvals and regulations.

TAKE ADVANTAGE OF FLEXIBLE FEDERAL FUNDS TO INCREASE TRANSPORTATION OPTIONS

Federal dollars in the highway account can be "flexed" to support transit, just as transit dollars can be used to support safe pedestrian and bicycle access to public transportation.

The opportunity

Over the past several federal transportation reauthorizations, Congress has maintained the flexibility for states and MPOs to fund a range of projects with federal-aid highway funds. This includes the ability to transfer dollars

1 www.nctcog.org/trans/sustdev/landuse/examples/
2 www.nctcog.org/trans/committees/rtc/Item3.5.pdf
3 www.nctcog.org/trans/rtr/
4 www.nctcog.org/trans/tip/tdcs.asp

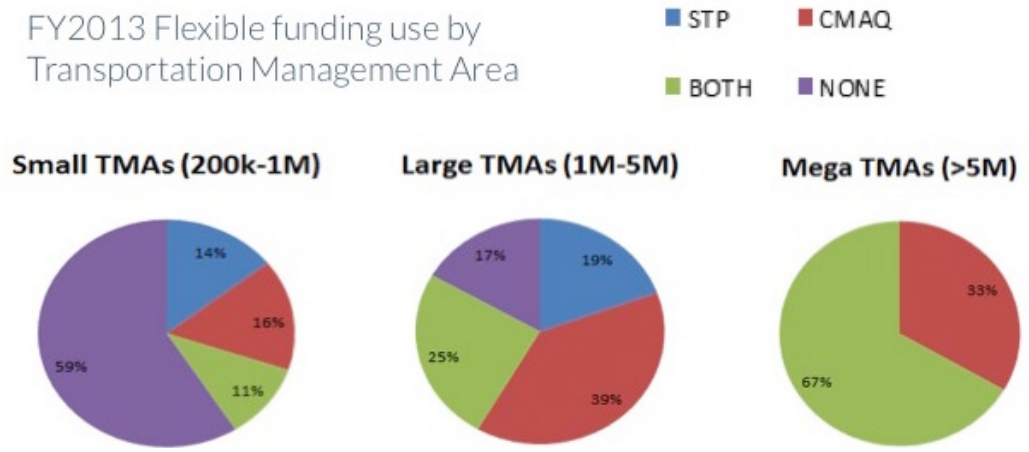
from the state's FHWA account to FTA to supplement transit funds for expanding and maintaining service. MPOs both large and small have used flexible funding for regional investments in maintenance facilities, fleet replacement or expansion, new light rail, bus rapid transit or streetcar routes. In some instances CMAQ funds have been used to support limited transit operations.

Funds transferred from the highway account to the transit account are treated as transit funds so that the eligible uses, reporting requirements and approvals also transfer to the Federal Transit Administration. Just like highway funds, federal transit dollars also can be used for eligible bicycle and pedestrian projects that support access to transit. Further, transit funds can support development at or adjacent to a transit stop, creating additional opportunities for MPOs to shape growth and development while increasing ridership and revenue to support the transit system.[1] Determining whether to flex funds, how much and for what purposes requires the active engagement and approval of the full MPO Policy Board, the state DOT, local transit agencies and the FHWA and FTA.[2]

Putting it into practice

While this flexibility is allowed to every state and MPO, not everyone has taken advantage of flexible funding provisions. Between 2007 and 2011, the Government Accountability Office found that FHWA apportioned about $53 billion in flexible funding to states, accounting for 29 percent of all highway dollars.[3] However, only about $5 billion was transferred, with just four states — California, New Jersey, New York and Virginia — accounting for most of this. In FY2013, $523 million in STP funds and $629 million in CMAQ funding were flexed to transit.[4]

In general, as shown in the chart below,[5] those MPOs that are larger Transportation Management Areas (TMA) take the greatest advantage of flex funding authority. In recent years, however, some smaller urbanized areas



1 www.fta.dot.gov/legislation_law/12349_16123.html

2 When flexible funding is used on transit projects, the MPO may decide to leave the funds in the state's FHWA account and be reimbursed by FHWA as costs are incurred. Alternately, the state and MPO or transit agency may request that funds be formally transferred to FTA to administer through one of several eligible FTA programs. FTA will reimburse the appropriate recipient (often the transit agency) once costs are incurred. States and localities are still required to provide non-federal matching funds. Some states do not allow state gas tax revenues to be spent on anything other than highway projects, which can create a barrier to using federal flexible fund provisions if other local match sources are not available.

3 United States Government Accountability Office. (November 15, 2012). Flexible Funding Continues to Play a Role in Supporting State and Local Transportation Priorities. Washington, DC: GAO-13-19R Flexible Funding.

4 Federal Transit Administration, June 2014 flexible funding assessment

5 Flexible funding trends in 2013. Federal Transit Administration, Office of Planning

have used this authority to support important transit projects that get workers to jobs, or provide an aging population with connections to doctors and the community. In 2013, **Eugene, OR; Rochester, NY; and Canton, OH,** were among the regions who flexed the most STP funds per capita to support transit service.

For some states that have unallocated highway funds about to expire, flexing these dollars to support transit can help accelerate important projects and avoid the loss of federal funding. For other regions trying to build new transit, flex funding may bring a much-needed, one-time cash infusion at a critical point in project construction. The **Stockton, CA,** region in 2012 flexed STP and CMAQ monies to fund Metro Express, a new Bus Rapid Transit system[1] and restore bus service at a point when local bus maintenance funds were critically low.

Several MPOs, including **Atlanta, Albany, San Francisco and Dallas-Fort Worth,** flex STP and/or CMAQ funds to support station-area planning to ensure that land-use plans are in place that will maximize the effectiveness of transit service and support broader community or neighborhood goals.[2] These programs are discussed in more detail in Focus Area 5: Provide technical assistance and collaborate with local communities.

In the Seattle region, the **PSRC** "blends" its STP and CMAQ funds into a pool for which transit projects are eligible and has flexed about 22 percent of federal highway funds to transit. In its regional solicitation of projects for federal funding, the PSRC requires consistency with VISION 2040, its long-range strategy to support regional centers and corridors. See PSRC Innovation in Action case study for overview of its use of set-asides. Project sponsors do not indicate which source of funding they are seeking, but in order to be eligible for CMAQ funds they must demonstrate an emissions reduction benefit.[3]

The **Innovation in Action** section of this chapter includes a case study of the use of flexible funding by a small MPO in **Flagstaff, AZ,** to support new bus rapid transit service. As other regions look to find ways to finance new transit service, this case study illustrates how flexible funding can provide an infusion of needed capital to make a project "pencil out," and serve as leverage to securing additional federal funds.

SUPPORT AND OVERSEE PUBLIC-PRIVATE PARTNERSHIPS

In recent years, transportation funding levels have failed to keep pace with the growing need to maintain existing systems, invest in new technologies to manage existing roads and transit networks or build new capacity. This funding crunch is pushing transit agencies, MPOs and state DOTs to develop new public-private partnerships (P3s), pilot new funding approaches such as peak-hour tolling and develop innovative new financing, design and construction models. The choice to pursue a public-private partnership involves carefully weighing multiple factors, including cost, risk transfer, technical capacity, efficiency and implementation timeline.

1 www.youtube.com/watch?v=BCHFJQ117no
2 MZ Strategies, LLC. (July 2013). "Unlocking MAP-21s Potential to Fund Equitable Transit Oriented Development." Published by Enterprise Community Partners, Inc. and Mile High Connects.
3 www.psrc.org/transportation/tip/selection/

The opportunity

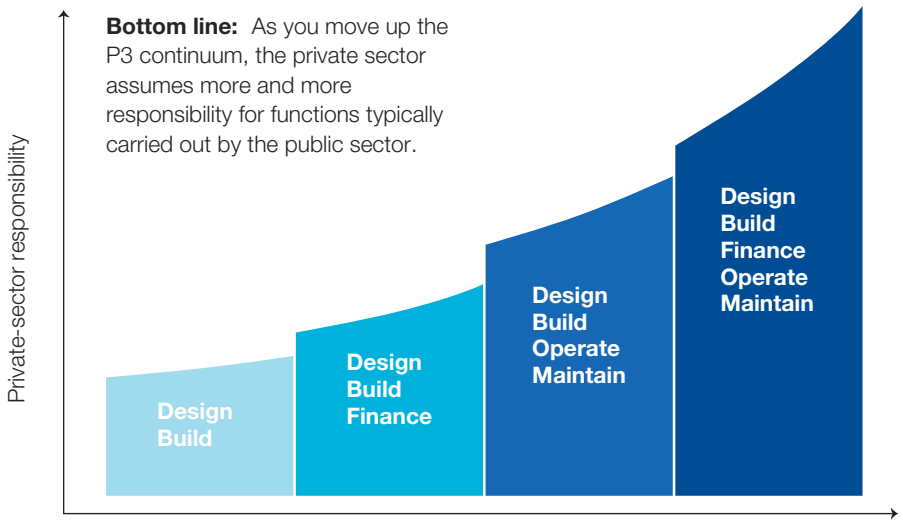
FHWA defines P3s as "contractual agreements formed between a public agency and a private sector entity that allow for greater private sector participation in the delivery and financing of transportation projects."[1] P3s can take many different forms, depending upon the degree to which the private sector assumes responsibility and financial risk.

Under the "design-build agreements" often used for transit or highway projects, a public agency contracts with a private firm both to engineer and design a project and carry out construction. Their appeal is the potential to save time, which translates into cost savings, by allowing the project design to be refined and finalized while construction is underway. In a bridge project, for example, while footings are being built, the bridge span structure can be designed.

In other cases, private entities lease a facility over a long term and collect tolling revenues to support some combination of construction, maintenance and operations. In these agreements, the private firm may take on some risk that toll revenues or fees will be insufficient to pay for the project over time. In that case, the firm benefits from profits if more revenue is raised and takes the loss if revenues are lower than the cost to build or operate.[2]

For MPOs, the P3 issue is a complex one. Since most MPOs do not bring substantial financial resources to the table, unlike a transit agency or state DOT, they are not typically in the driver's seat, but rather are a partner in helping to coordinate across funding sources through the MTP and TIP. They also help ensure that regional players are engaged in the planning and decision-making process that underlies any good P3. This involves helping to facilitate agreements between partners that ensure a net benefit to the public, while at the same time allowing for a reasonable return on the private investment. As the private sector assumes a greater role (as shown in the figure below), it becomes increasingly important for MPOs and other public sector partners to ensure that public interests such as safety, equitable access, reliable operations and maintenance needs are assured.

The federal requirement that MPO plans be "fiscally constrained" based on known, anticipated funding adds a wrinkle where P3s are concerned, because such projects offer the opportunity to bring additional, private capital under special arrangements. Innovative MPOs go beyond fiscally constrained plans to identify projects that could be advanced if funding was made available and to support work to develop



Source: T4America. "Thinking Outside the Farebox: Creative Approaches to Financing Transit Projects." Available at: http://t4america.org/maps-tools/transit-guidebook.

1 www.fhwa.dot.gov/ipd/p3/default.aspx
2 transportation.house.gov/uploadedfiles/p3_panel_report.pdf

the potential for P3s in their Unified Planning Work Programs.

When considering participation in a P3 project, MPOs can ask themselves the following questions:

- What regionally significant projects exist that would further the long-range plan but face funding challenges? Have we considered other options such as flexible funding of STP or CMAQ?
- What authority is specifically needed to leverage private resources and does it require legislative or administrative change to acquire?
- Does the MPO have P3 authority, or do we need to coordinate with those in the region who do, such as toll authorities, turnpikes, bridge authorities or others?
- What funding sources exist in the region that could be leveraged, such as regional sales tax for transportation, tolling revenues, etc. and who controls them?
- Do these other funds have the same standards for Title VI analysis, environmental review, environmental justice analysis and public involvement or other federal approvals and regulations?

Putting it into practice

Each partnership, like each MPO, is unique and a function of existing authority, the specifics of the project to be funded and the assets that partners bring to the table. MPOs that also have a broader governance, transit or tolling authority have the advantage of bringing financial resources, such as regional sales tax dollars, bonding authority or toll revenues, to leverage private funds.

MPOs in regions that also have toll authorities, such as those in Texas, Virginia and Florida, appear to be more comfortable with these kinds of public private partnerships to increase capacity and have incorporated new tolling projects into their MTPs. As councils of governments, **NCTCOG** and **SANDAG** both have access to toll revenues that enabled them to assist and lead P3 projects.

Some MPOs have developed innovative public-private partnerships by using CMAQ dollars to leverage private funding to improve air quality through projects such as converting vehicle fleets to alternative fuels or improving intermodal freight facilities.[1] To be eligible for CMAQ funds, a partnership project must demonstrate its ability to reduce transportation emissions in areas under federal air-quality strictures by reducing vehicle travel, traffic congestion levels or lowering vehicle emissions directly. The **Houston–Galveston Area Council of Governments** established an Alternative Fuel Vehicle Program with $2.5 million in CMAQ funds to assist government and private entities in purchasing and using alternative fuel vehicles.[2]

The **DRCOG** is promoting P3s to accelerate build-out of the regional FasTracks transit plan and Union Station redevelopment.[3] Their story is summarized in the **Innovation in Action** section of this chapter. It underscores the necessity of MPOs to serve as a regional coordinator with transit agencies, local governments and state agencies throughout the P3 process, starting with long-range planning, through TIP approval and construction.

1 www.fhwa.dot.gov/environment/air_quality/cmaq/reference/public-private_partnerships/index.cfm
2 *Ibid.*
3 www.t4america.org/maps-tools/local-successes/denver/

Resources

- Advocacy Advance, "First Mile, Last Mile: How Federal Transit funds can improve access to transit for people who walk and bike," www.advocacyadvance.org/docs/FirstMileLastMile_August2014_web.pdf.
- Advocacy Advance, "How Metropolitan Planning Organizations Plan for and Fund Bicycling and Walking Investments," www.advocacyadvance.org/docs/FirstMileLastMile_August2014_web.pdf.
- Federal Highway Administration, Federal Aid Essentials: www.fhwa.dot.gov/federal-aidessentials/
- Federal Highway Administration, Office of Innovative Program Delivery: www.fhwa.dot.gov/ipd/p3/
- Federal Transit Administration, MAP-21 Discretionary & Formula Grant Programs: www.fta.dot.gov/grants/15926.html
- Transportation for America, Making the Most of MAP-21: www.t4america.org/maps-tools/map-21/handbook
- Transportation for America, Thinking Outside the Farebox: Creative Approaches to Financing Transit Projects: http://t4america.org/maps-tools/transit-guidebook/
- U.S. House of Representatives, Transportation and Infrastructure Committee, Special Panel on Public-Private Partnerships, "Public Private Partnerships: Balancing the needs of the public and private sectors to finance the nation's infrastructure," http://transportation.house.gov/uploadedfiles/p3_panel_report.pdf.

INNOVATION IN ACTION - CASE STUDIES (FOCUS AREA 3)

ESTABLISH FUNDING SET-ASIDES TO IMPLEMENT LONG-RANGE PLANS

Puget Sound Regional Council – PSRC (Seattle-Tacoma, WA)

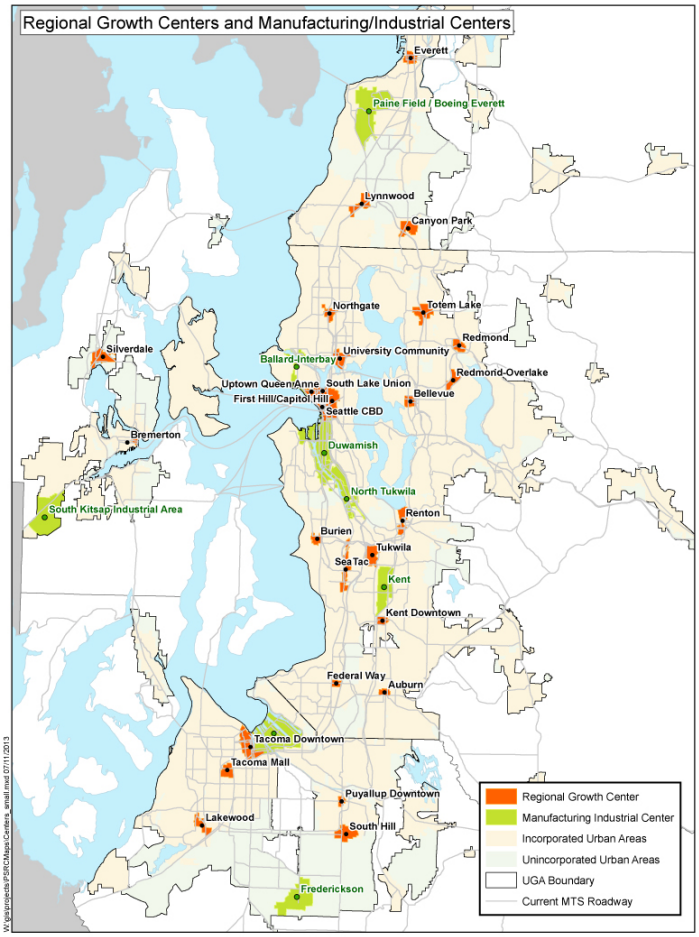
Central Puget Sound is a growing region of about 3.7 million people, four counties and 82 cities. Nine federally recognized Native American tribes also call the region home. The diverse economy centered on Seattle and Tacoma includes global companies like Microsoft, Amazon and Boeing as well as a burgeoning mix of small businesses and start-ups. Sustainability is an important theme for the region and strongly reflected in the recently adopted long-range transportation plan, Transportation 2040. Included within the sustainability framework is a strong emphasis on social equity and maintaining and preserving existing infrastructure and communities.

Coordinating transportation, growth management and economic development is the PSRC. The PSRC is responsible for both the long-range transportation plan and the comprehensive economic development strategy. These plans are developed by separate parts of the agency, but allow for important opportunities to ensure that transportation investments support the regional economy. The PSRC is governed by a General Assembly composed of elected officials of the member jurisdictions and state DOT officials and Transportation Commission members. The Executive Board consists of 32 voting members, primarily from local elected leadership. An Economic Development Board, Transportation Policy Board and a Growth Management Policy Board have jurisdiction over these specific issues.

The PSRC has an extensive history of using set-asides, most frequently of STP funds, to meet specific objectives identified in its adopted Policy Framework,[1] especially to support the development of centers and corridors that serve them. Roughly every two years, the PSRC establishes a "policy framework" for selecting projects, a process involving stakeholder input and alignment with any new federal or state requirements.

Since 1995 the region has combined federal STP and CMAQ funds and then split the funds equally between PSRC-led competitive grants for regionally significant projects and a countywide competitive process to fund locally significant projects,[2] in coordination with local and state transportation and transit agencies. The PSRC has the responsibility as the MPO for final project selection of all projects included in the TIP.[3] Specific set-asides available in the PSRC's 2015–17 regional transportation funding solicitation include:[4]

- **Special fund for safe walking and bicycling projects.** Since 1993, 10 percent of the combined estimated totals of STP and CMAQ are set aside and distributed by the countywide process mentioned above. This is on top of the funds available through TAP. Those TAP funds are allocated through a separate solicitation with criteria that also build on regional planning principles and goals.[5]



PSRC Map of regional centers. Source: www.psrc.org/assets/11195/Att5-RegionalCenterMap.pdf

PSRC guidance for project selection in the 2013 Transportation Alternatives Program: VISION 2040 calls for preserving and developing compact communities and directing employment and housing growth into centers that support walking, biking and transit use. In addition to regional growth and manufacturing/industrial centers, VISION 2040 also calls for the support of locally identified centers, including those in rural areas, as well as the protection and enhancement of the natural environment, open space and recreational opportunities and scenic and historic areas. Preference will be given to those projects that provide clear benefit to one of these designated centers and help to meet the development goals of the center(s).

1 www.psrc.org/assets/11211/2014-FullPolicyFramework.pdf
2 MZ Strategies, LLC. (September 2013). "Regional Allocation of Federal Transportation Funds: A Comparative Analysis for the Metropolitan Council's Transportation Advisory Board." http://mzstrategies.com/projects.
3 www.psrc.org/transportation/tip/selection/
4 www.psrc.org/assets/11211/2014-FullPolicyFramework.pdf
5 www.psrc.org/assets/9877/TAP-Workshop-Presentation-20130722.pdf

PSRC'S long-range plan emphasizes investments in transit, walking and bicycling. Photo source: PSRC

- **Special fund for projects supporting rural towns.** STP funds totaling $3 million are set aside for the Rural Town Centers and Corridors Program funded and managed by the PSRC. This is also beyond federal requirements for spending STP in rural areas.[1] Funds have been used to develop Complete Streets plans, street improvements to improve safety for pedestrians and bicyclists and traffic improvements in downtown areas.
- **Special fund for preserving the existing systems.** The Preservation Pilot Set-Aside was established in 2012 to address a growing backlog of maintenance and preservation needs and a severe state funding shortfall. The Transportation 2040 Plan includes a strong emphasis on repair needs for transit, highways and bridges. The current regional solicitation for STP funds continues to use 25 percent of the total estimated available funds for the Preservation Pilot.
- **Special fund to improve the PSRC's planning capacity.** The PSRC sets aside $500,000 annually to enhance long-range transportation planning, which has supported improved monitoring, freight planning, bicycle and pedestrian planning and station area planning, among other steps.

The PSRC implemented a project tracking program that requires project sponsors to meet adopted project tracking policies, which have improved the efficiency and accountability of funding. Information on those projects selected for funding is available to the public through an impressive and easy-to-use website and includes a regional map showing details about projects that have a physical location.[2]

1 www.psrc.org/funding/rural
2 www.psrc.org/transportation/tip/selection/

Puget Sound Regional Council (PSRC)	
Type	The MPO and Regional Transportation Planning Organization for the Central Puget Sound region
Composition	32 member Executive Board that makes decisions month to month and an overall General Assembly that includes elected leaders of King, Kitsap, Pierce and Snohomish counties, the region's 72 cities and towns, 4 port districts, Washington State DOT and Transportation Commission and 3 tribes.
Voting	Weighted vote of members: "Total votes of all city and county jurisdictions within each county will be proportional to each county's share of the regional population. County government will be entitled to fifty percent (50%) of their respective county's total vote. City and town votes will be based on their respective share of the total incorporated population of their county. The Tribal representatives' vote will be based on their respective share of the region's population. Representatives present shall cast the jurisdiction's total weighted votes and may split their vote as they choose." A two-thirds vote is required to pass the work budget and program, regional growth management strategy, regional transportation plan and amendments to the bylaws.
MPOs within MSA	1 MPO within MSA
Annual budget and staffing size	$8.25 million; 72 staff
Responsibilities beyond transportation	Economic development, growth management, land-use planning, air quality
Independent revenue authority	Does not collect revenues, except through local membership and transit dues

References: www.psrc.org/about/
www.psrc.org/assets/11219/BudgetFY2014-15Supplemental.pdf
www.ampo.org/wp-content/uploads/2014/02/2013-Salary-Survey-Results-final-draft-Jan-23-2.pdf
www.psrc.org/assets/562/bylaws.pdf

TAKE ADVANTAGE OF FEDERAL FLEXIBLE FUNDS TO INCREASE TRANSPORTATION OPTIONS

Flagstaff MPO (Flagstaff, AZ)

The Flagstaff Metropolitan Planning Organization (FMPO) was formed in 1996 after the mid-decade Census showed a population of 52,507, qualifying Flagstaff as an urbanized area. Since that time, population has steadily grown in the region.[1] The FMPO planning area consists of the City of Flagstaff and Coconino County. Both hold seats on the MPO's six-member executive board, with Flagstaff holding three and the county two. The Arizona Department of Transportation (ADOT) holds the sixth seat.[2]

1 www.planning.dot.gov/Documents/CaseStudy/Flagstaff3rmm/Flagstaff3rmm.htm
2 www.flagstaff.az.gov/index.aspx?nid=995

Despite its relatively small size, FMPO has received special recognition from the US Department of Transportation (USDOT) and the Association of MPOs[1] as an innovator in the use of flexible funding, coordination with the regional transit agency and state DOT and multimodal, long-range planning.

In recent years, FMPO elected to flex federal STP funds to the regional transit provider, Northern Arizona Intergovernmental Public Transportation Agency (NAIPTA), for the purchase of diesel buses, bus stop improvements, shelter upgrades, bus pad installation and passenger amenities. Flex funds also helped NAIPTA maintain a stable fleet, including backup vehicles and provide a modest service expansion. FMPO and NAIPTA also co-manage an innovative internship program with Northern Arizona University (NAU), the Montoya Fellowship in Transportation Planning.[2]

Flexible funding has been an important lifeline for a small system attempting to keep up with a growing regional population. In 2010-11, FMPO provided funding to NAIPTA that assisted with preliminary design work of Mountain Link, the new regional bus rapid transit system linking downtown Flagstaff, the NAU campus and Woodlands Village.[3] This funding supported early design and engineering work while NAIPTA worked to secure federal funding from the Very Small Starts program. This early support accelerated the project and made it more competitive in a bid for federal discretionary funding.

Photo from Metro Magazine

NAIPTA also has received an average of $65,000 each year in flexible funding from the state, primarily for its program of improving bus shelters and stops. The region anticipates future flexing of STP funds, if available, to support construction of a few key transit-only or transit, bicycle and pedestrian-only roadways. The Flagstaff case study is a great example of how active and ongoing coordination and multimodal planning among all key agencies — the MPO, transit agency, state DOT and

1 AMPO spotlight of the Flagstaff Pathways 2030 Regional Transportation Plan http://ampo.org/assets/943_flagstaff2030rtp.pdf
2 www.flagstaff.az.gov/index.aspx?NID=2873
3 www.mountainlink.az.gov/

local governments — can generate new resources and innovative ways to use available state and federal funds to achieve important local transportation needs, regardless of mode.

Flagstaff Metropolitan Planning Organization (FMPO)	
Type	Quasi-independent organization hosted by the City of Flagstaff and formed by an intergovernmental agreement between the city and county.
Composition	Voting Policy Board Members: Three elected or appointed officials from the City of Flagstaff (one being the Mayor), two elected or appointed officials from the County, Coconino (one of whom is the chair of the board of supervisors) and a member of the Arizona DOT (State Transportation Board).
Voting	One member one vote
MPOs within MSA	1 MPO within MSA
Annual budget and staffing size	$648,000; 1 full-time staff, director is a city employee and administrative and legal support is provided as in-kind services
Responsibilities beyond transportation	Growth planning, resiliency planning, water and air quality, energy conservation
Independent revenue authority	None

References: www.flagstaff.az.gov/DocumentCenter/View/44081
www.flagstaff.az.gov/Directory.aspx?did=148
www.flagstaff.az.gov/DocumentCenter/View/43827

SUPPORT AND OVERSEE PUBLIC-PRIVATE PARTNERSHIPS

Denver Regional Council of Governments — DRCOG (Denver, CO)

Established in 1955, the Denver Regional Council of Governments (DRCOG) is one of the oldest councils of governments in the country.[1] In the early 2000's, the Area Chamber of Commerce, regional Mayors Caucus and the Denver Regional Transportation District (RTD) assembled an ambitious regional plan to invest in light rail, commuter rail, bus rapid transit, expanded bus service and highway improvements such as "managed lanes".[2] The resulting plan, dubbed "FasTracks", totaled $4.7 billion and would require increasing a regional sales tax from 0.6 cents to a full cent on each dollar of sales, along with federal grants, loans and private contributions.[3] The regional sales tax has in turn been used to leverage innovative financing and private sector participation. A detailed case study specific to the public-private partnership used by Denver's Regional Transit District for FasTracks and the Eagle P3 project is provided in Transportation for America's "Thinking Outside the Farebox: Creative Approaches to Financing Transit Projects."[4]

1 https://drcog.org/about-drcog/about-drcog
2 http://ops.fhwa.dot.gov/freewaymgmt/managed_lanes.htm
3 http://t4america.org/maps-tools/local-successes/denver/
4 http://t4america.org/wp-content/uploads/2012/08/T4-Financing-Transit-Guidebook.pdf

Through the MTP and TIP processes, DRCOG works with RTD, the Colorado DOT and the City and County of Denver to prioritize transit investments and policies to encourage development around transit stops. The recent redevelopment of Denver's Union Station exemplifies this approach. Union Station now serves as a major transit hub and catalyst for transit-oriented development. Beginning in May 2002, DRCOG and these other regional partners came together to develop a master plan and conduct an Environmental Impact Statement (EIS) for Union Station.[1] DRCOG's plans also allocated $10 million in regional CMAQ funding for the project. Union Station Transit Center opened in May 2014, with great fanfare and has been held up as a national model for its innovative design and construction standards, use of federally supported financing and leveraging private capital to augment traditional sources.[2]

In another ground-breaking move, DRCOG also has been instrumental in the work of Mile High Connects, a regional collaboration of philanthropy, non-profit and public sector organizations working to ensure that people of all wage levels can find a place in the emerging development around transit.[3] DRCOG and Mile High Connects in 2011 released an "Equity Atlas"[4] that allows online users to create maps showing economic and demographic data for areas around the growing transportation network and connections to job centers and other key destinations. As the Atlas website notes: "The future transit network will better connect people to jobs, health care providers, schools, grocery stores, parks and

The interior of Denver Union Station in November 2014. Source: Rochelle Carpenter, T4America

1 www.rtd-fastracks.com/dus_1
2 www.fhwa.dot.gov/ipd/project_profiles/co_union_station.aspx
3 http://milehighconnects.org/main.html
4 www.denverregionalequityatlas.org/

other essential destinations, but there are challenges in ensuring that the people who use and need access to public transportation the most have the opportunity to live, work, learn and play in transit-oriented communities."[1] A regional planning grant from the HUD Sustainable Communities program helped support station area planning as part of the solution.[2]

The platform canopy behind Denver Union Station in November 2014. Source: Rochelle Carpenter, T4America

The DRCOG also has partnered with Colorado AARP to create and fund its Boomer Bond initiative. The Boomer Bond helps local governments around the region create age-friendly physical and social environments allowing older adults to remain in their homes and communities for as long as they desire.

All of these efforts come together in the DRCOG's MTP and TIP to establish the funding and policy framework for a more sustainable future and strong regional economy. Despite its limited direct financing authority, the DRCOG has been an important partner in fostering collaboration and solving problems; supporting public-private partnerships; and supporting early investments in planning and environmental review to lay the groundwork for projects that attract private capital.

Denver Regional Council of Governments (DRCOG)	
Type	A non-profit, voluntary association of local governments. It is not a unit of government.
Composition	The DRCOG is comprised of 56 participating member governments and each has an elected official as its voting representative at the board table. The DRCOG board is the policy body for the MPO. The Memorandum of Agreement organizes the transportation planning process through the establishment of the Regional Transportation Committee and the Transportation Advisory Committee. Both the Regional Transportation Committee and DRCOG board must take favorable action before regional transportation planning policies and products are considered adopted. Additionally, the governor appoints 3 non-voting representatives to the board and RTD (Denver region's transit agency) appoints another non-voting member.
Voting	Each voting member gets one vote.
MPOs within MSA	MPO within 2 MSAs
Annual budget and staffing size	$24.2 million; 95 staff, 20 full-time staff work in the transportation planning division
Responsibilities beyond transportation	Growth and development (Regional Planning administers Sustainable Communities Initiative), aging and disability resources
Independent revenue authority	None. Note: participating members pay dues (based on populations and assessed valuation) that comprise 8 percent of the DRCOG's budget.

References: https://drcog.org/documents/2014%20Budget%20for%20print.pdf https://drcog.org/about-drcog/

1 www.denverregionalequityatlas.org/
2 https://drcog.org/planning-great-region/sustainable-communities-initiative