

Washtenaw County Transit Master Plan  
A Proposal to the Citizens of Washtenaw County

VOLUME 3

# Transit Master Plan Funding Options

DRAFT - August 2011





# Table of Contents

<b>Executive Summary</b>	<b>2</b>
<b>I. Current Transit Service and Funding in Washtenaw County</b>	<b>3</b>
Transit Service in Washtenaw County Today	3
Transit Funding in Washtenaw County Today	4
Efficiency of Today's Transit Services	5
<b>II. AATA Near Term Service Improvements</b>	<b>7</b>
<b>III. Countywide Transit: AATA's Response to Regional Realities</b>	<b>9</b>
The Vision: Countywide Transit Services	9
Countywide Governance	10
Countywide Funding Options	11
A Possible Countywide Transit Budget	20
<b>APPENDICES</b>	<b>45</b>

## Executive Summary

This report examines the current public transit services offered in Washtenaw County and describes how those services are currently funded. The report goes on to describe existing sources of funding for both capital improvements (e.g. bus purchase and replacement, facilities) and operations (services). It is concluded that existing funding is sufficient for the existing system, and may offer some opportunity for limited improvements in service. However, to realize the improvements envisioned in the *Transit Master Plan: A Vision for Washtenaw County*, additional funding is needed.

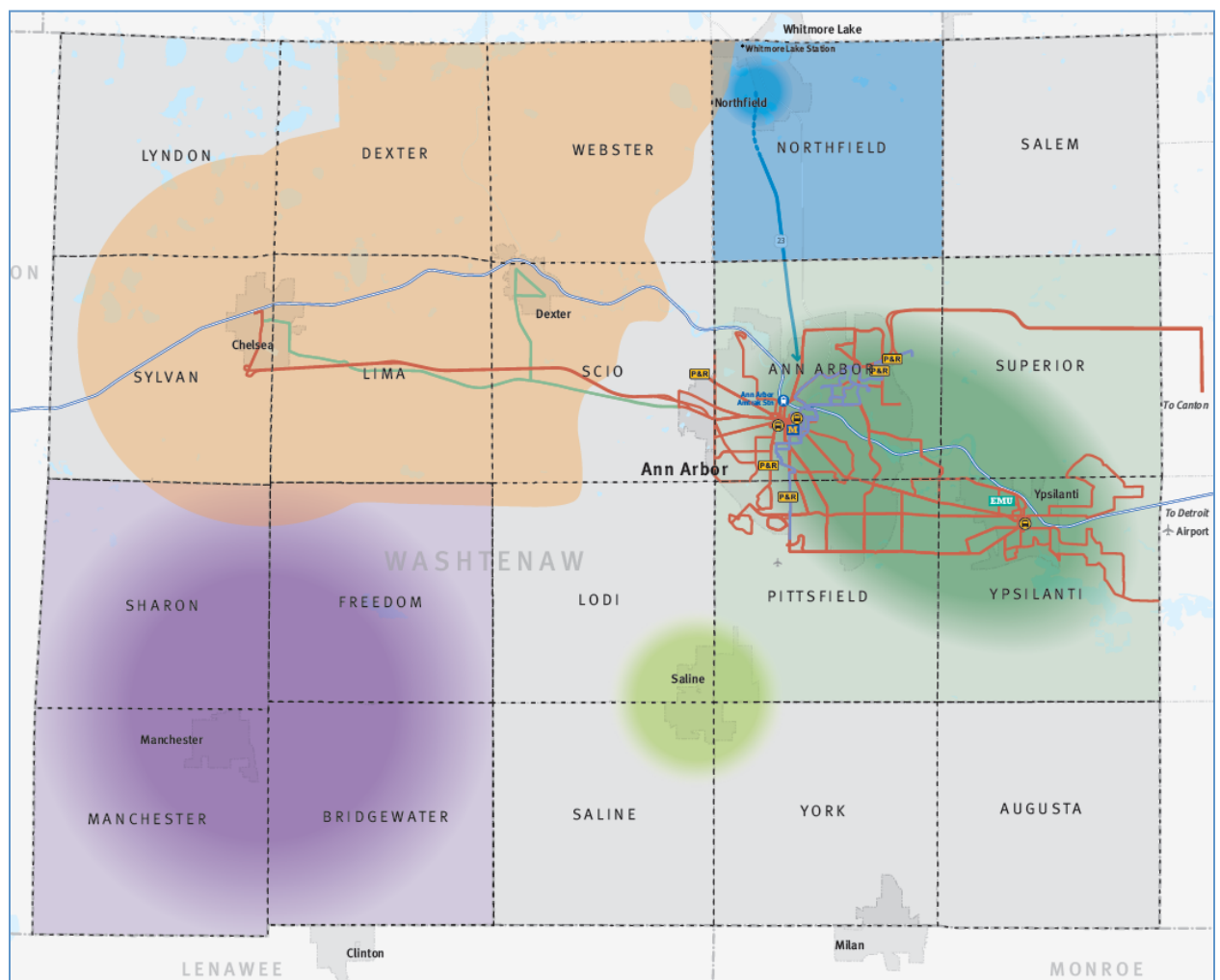
Each funding source is evaluated as to its potential to yield additional funds, and a number of new funding sources are offered as possible options for paying for the construction and operation of additional services. Based on the outcome of the evaluation of funding options, a hypothetical budget is offered showing a mix of funding that might be used to fund the TMP. Most of the options described cannot simply be enacted by a countywide Authority, but will require legislative actions, public referenda, etc. This document makes no recommendations regarding a funding plan, but sets forth a hypothetical scenario under which the Plan could be funded, laying the groundwork for further public discussion.

# I. Current Transit Service and Funding in Washtenaw County

## Transit Service in Washtenaw County Today

There are three main publicly-funded transit services in Washtenaw County today: Ann Arbor Transportation Authority (AATA) or TheRide, the Western Washtenaw Area Value Express (WWAVE) and the People's Express (PEX). Another carrier, Manchester Senior Services, receives only charitable contributions, and the University of Michigan bus service is funded by the University (and free for anyone to ride). Figure 1 illustrates the services.

**Figure 1 - Existing Public Transit in Washtenaw County**



The AATA is a public corporation organized under Act 55 of 1963, giving it authority within the City of Ann Arbor and limited ability to operate outside of the city limits. WWAVE and PEX are non-profit organizations funded by charitable contributions and some public funding.

## Transit Funding in Washtenaw County Today

The capital and operating budgets for these services are shown in Table 1. The remaining discussion describes each line item in further detail.

**Table 1 - Existing Washtenaw County Transit Services: Sources and Uses of Capital and Operating Funds**

CAPITAL FUNDS						
	Ten-Year Period, FY01-FY10					
	Total (x \$1,000)			Average Annual (x \$1000)		
Sources	AATA	WWAVE	PEX**	AATA	WWAVE	PEX
Formula Grants	\$21,513			\$2,151		
Discretionary (Competitive Grants)	\$10,798			\$1,080		
State (Match for Federal Grants)	\$5,144			\$514		
Totals	\$37,455	\$1,014	\$603	\$3,746	\$101	\$60
Uses						
Bus Replacements	\$22,059	\$465		\$2,206	\$47	
Bus Expansion	\$2,500	\$504		\$250	\$50	
Equipment	\$5,047			\$505		
Facilities	\$7,849	\$45		\$785	\$5	
Totals	\$37,455	\$1,014	\$603	\$3,746	\$101	\$60
NOTE: Each agency (AATA, WWAVE, PEX) applies separately for State and Federal capital funding				** Includes some local contributions		
OPERATING FUNDS						
	FY09 (\$)		FY10 (\$)		FY11 Projected (\$)	
Sources	Urban	Non-Urban	Urban	Non-Urban	Urban	Non-Urban
Federal Grants	\$2,210,079	\$148,330	\$3,200,024	\$156,554	\$2,255,155	\$197,765
Other Revenue	\$134,858		\$88,774		\$359,866	
State Formula Operating	\$6,529,270	\$330,189	\$6,259,423	\$296,970	\$6,798,632	\$410,014
State Grants	\$89,766		\$101,849		\$113,134	
Ann Arbor Millage	\$9,607,092		\$9,663,422		\$9,086,118	
Passenger Fares	\$2,188,754	\$73,140	\$2,427,251	\$110,070	\$2,880,963	\$113,922
3rd Party Fares	\$1,529,052		\$1,751,126		\$2,189,021	
Local Revenue (POSA)	\$816,549	\$412,329	\$776,323	\$316,425	\$715,935	\$435,120
Totals	\$23,105,420	\$963,988	\$24,268,192	\$880,019	\$24,398,824	\$1,156,821
Uses						
Fixed Route Services	\$19,135,393	\$0	\$20,133,076	\$0	\$20,931,700	
Demand Responsive Services	\$3,568,662	\$927,064	\$3,536,190	\$846,235	\$3,467,124	\$1,156,821
Totals	\$22,704,055	\$927,064	\$23,669,266	\$846,235	\$24,398,824	\$1,156,821
NOTE: AATA applies for State and Federal operating funding on behalf of WWAVE and PEX. Those are the 'non-urban' figures						

Capital funding (construction, bus acquisition and replacement, etc.) for transit comes primarily from federal sources, supplemented by the State of Michigan, as shown in Table 1. Further details of the Federal funding programs can be found in Appendix 1.

Funds for transit operations come from a variety of sources, as listed in Table 1. What follows is a brief description of those sources:

**Federal Operating Assistance:** There are several categories of federal operating funds available to AATA, WWAVE and PEX. AATA is the recipient of 'urban' funds, and applies for 'non-urban' funds on behalf of WWAVE and PEX, passing the money through to those organizations. The specific federal programs and how each one works is described in Appendix 1.

**State Operating Assistance:** Operating funds are provided to carriers in the State out of a fund called the Comprehensive Transportation Fund (CTF). The CTF is funded primarily by state gasoline taxes, in addition to other sources. These funds are allocated to carriers on the basis of their route-miles of service.

**Passenger Fares:** These are the revenues directly paid by riders.

**Third Party Fares:** These are payments to the AATA from institutions that are willing to pay for all or part of the fares of their employees and/or students. In some cases, the institutions pay an amount to the AATA and their students/staff can then ride the bus by showing their ID. In other cases, an organization may underwrite the cost of a fare, with the rider paying a discounted rate. A major example is the 'MRide Agreement' whereby AATA is paid by the University to allow students to ride by flashing their student ID. Eastern Michigan University and Washtenaw Community College also participate in similar programs. The goPass program is another example – in this case transit passes are subsidized by the Ann Arbor DDA and by people's employers.

**Purchase of Service Agreements (POSA's):** Areas outside of the Ann Arbor city limits may execute a POSA with AATA, essentially paying AATA to deliver service outside of Ann Arbor. POSA's are currently in place with the City of Ypsilanti, and Superior, Pittsfield, and Ypsilanti Townships. POSA's are now priced on a 'fully-allocated cost' basis.

**Transit Millages:** The City of Ann Arbor has a perpetual charter millage (property tax), dedicated to transit and levied at a rate of 2.056 mills. This has been in place since 1973. The City of Ypsilanti, in November 2010, passed a millage of 0.9789 mills solely for public transit purposes. Ypsilanti uses its millage revenue to pay for its POSA with AATA.

**Other Revenue:** Primarily advertising and interest revenues.

## **Efficiency of Today's Transit Services**

A number of studies and audits over the years have established that transit resources are efficiently used in this region. A recent example is the "Organizational Audit" produced for AATA in 2010 by McCollum Management Consulting. Figures 2 and 3 are extracted from that report and make the case that 1) AATA's costs per revenue-hour are consistent with the average for similar operations and 2) AATA's productivity (measured here as passengers per service hour) has risen above the peer average.

Figure 2 - Peer Review: Bus Cost per Service Hour

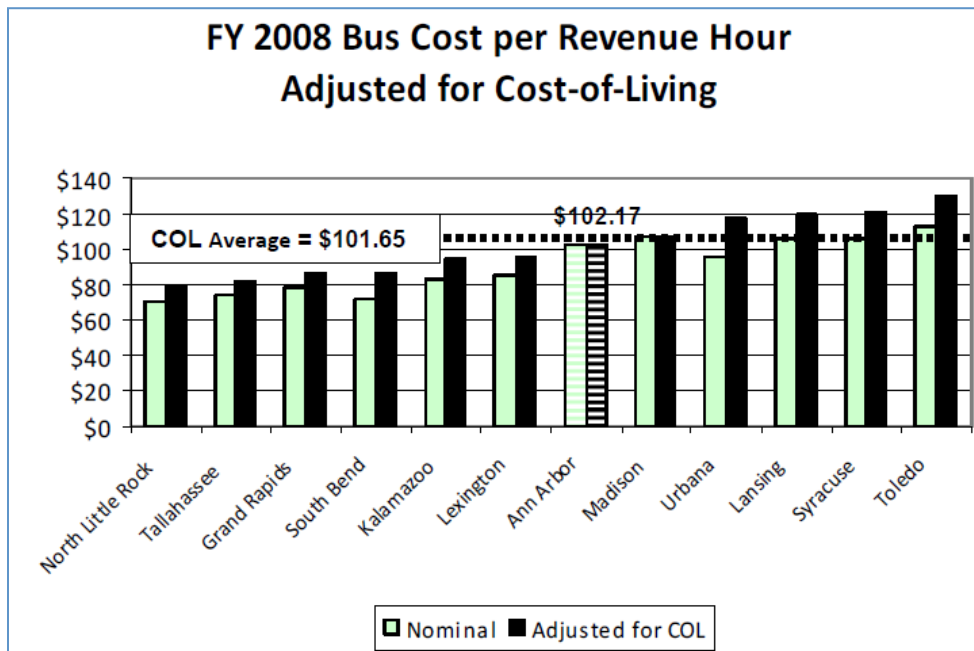
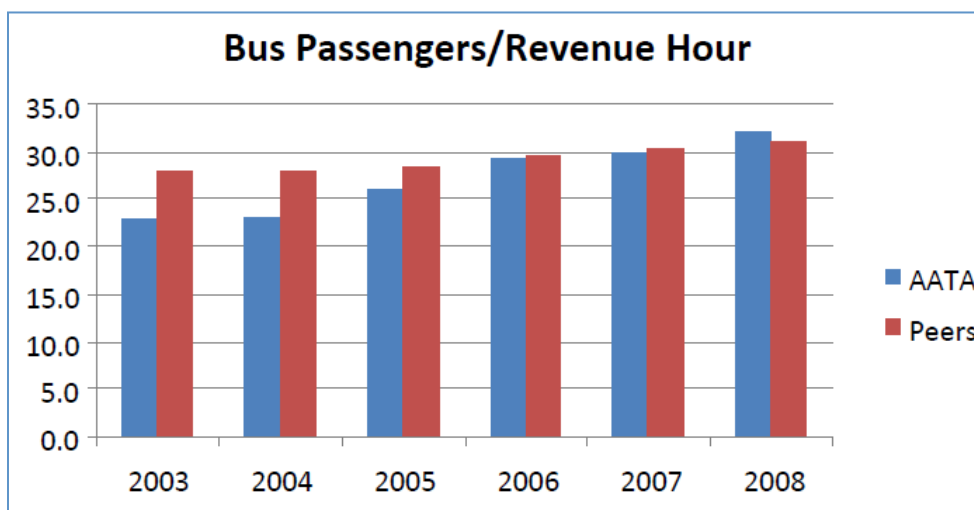


Figure 3 - Peer Review - Bus Revenue per passenger



Another measure of TheRide's financial health is the reserve level, that is, the amount of cash on hand that could be used to run the service if funding were to suddenly stop flowing. AATA regularly has a 3-4 month cash reserve.

For further information, the last several years of AATA's financial statements are included in Appendix 2.



## II. AATA Near Term Service Improvements

The next chapter of this report describes efforts to establish a county-wide transit system with a new governing authority and funding base, with a goal of implementing a 30-year Transit Master Plan. As those efforts unfold, however, the AATA remains committed to improving the existing transit system to the extent that existing funding allows. As part of these efforts, the possibility of new and innovative funding sources is being examined. Described below are some of AATA's more significant near-term initiatives.

### **Proposed Service Increase between Ann Arbor and Ypsilanti on the #4 Washtenaw Route**

The #4 Washtenaw route operates between downtown Ann Arbor and Ypsilanti, primarily on Washtenaw Avenue. Each year, this route has the highest number of riders of any AATA route.

Currently weekday service operates between the two cities every 30 minutes midday (9:15 a.m. – 3:15 p.m.) and every 15 minutes during peak hours (6:15 a.m. – 9:15 a.m. and 3:15 p.m. – 6:00 p.m.). Additional peak trips operate only between the U-M Medical Center and the Ann Arbor city limits at U.S. 23. AATA is proposing to double the number of weekday trips that operate between Ann Arbor and Ypsilanti on the #4 route:

- Midday – 4 trips per hour in each direction (service every 15 minutes).
- Peak Hours – 8 trips per hour in each direction (service every 7.5 minutes on average).
- Discontinuing service on the additional trips between U-M hospital and U.S. 23.
- Half of the trips providing service to U-M hospital.
- Alternate trips providing service to the Central Campus Transit Center and not U-M hospital, which reduces the travel time between the two downtowns by 7 minutes.

The ability to fully implement this service is dependent upon finding an additional source of operating funds. So far, funds have been identified for approximately half of the \$636,000 per year cost of these service improvements, and efforts are underway to secure additional funding commitments to close the gap.

### **Proposed Countywide Van Pool Program**

During 2011, the AATA has begun the process of taking over the Washtenaw County portion of the vanpool program currently run by the State of Michigan Department of Transportation (MDOT). The AATA program will begin with the organization of up to 12 new van pools, while MDOT continues to run the existing MichiVan van pool services for the next 12 – 36 months. This interim program approach allows AATA time to create the internal administrative and financial structures needed to successfully operate a vanpool program while also providing the ability to quickly expand the number of vehicles operating in Washtenaw County. This approach also gives staff experience in administering a small number of vanpools before transitioning the existing vanpools to the local operated program.

Also, AATA has been having discussions with UM to evaluate the joint administration of a vanpool/carpool ride-matching and administrative website. Staffs from both organizations are exploring avenues for merging their two websites, which would result in increased efficiencies for both organizations and would give users from both websites increased opportunities for finding carpool/vanpool partners. Staff is also investigating solutions for providing online customer fare payment options.

### **Proposed Airport Service**

AATA has been exploring the possibilities of a public / private partnership to provide high-frequency service from Ann Arbor to Detroit Metro airport. At this writing, a solicitation is being developed to attract a private partner, and a tentative target date for service is sometime in the fall of 2011, subject to funding availability.

### **Service to East Ann Arbor Health Center and Domino's Farms**

As of July, 2011, AATA began providing enhanced service to the areas known as UM East Medical Center and to the Domino Farms complex. These improvements include an extension of A-Ride services to these previously unserved areas, and enhanced coordination of AATA and UM fixed route services to ensure convenient connections. These services are expected to especially benefit seniors, people with disabilities, and the patients visiting UM clinics.

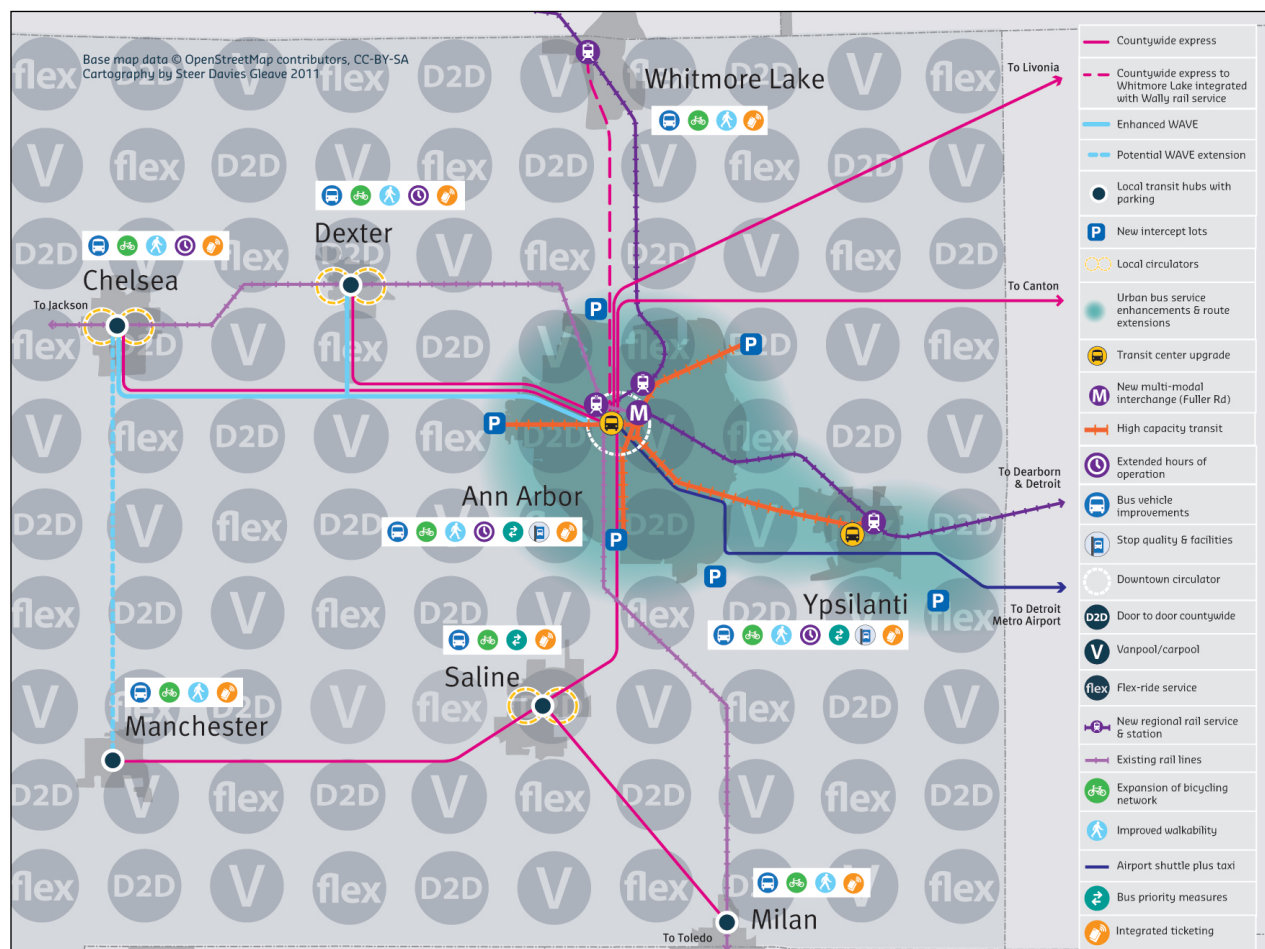
### III. Countywide Transit: AATA's Response to Regional Realities

#### The Vision: Countywide Transit Services

Over the years TheRide has been increasingly asked to provide services to areas beyond its historical jurisdiction. In some cases (e.g. the route down Whitaker Road or the route to Saline), TheRide has received grants to provide services on a demonstration basis, only to discontinue the services after the original demonstration grants are expended. Because there has been very little funding to support service outside of the urbanized area, AATA's ability to provide services beyond Ann Arbor and its POSA partners has been limited. Recognition of the need for countywide services was highlighted by the publication, in 2007, of the *Transit Plan for Washtenaw County* by the Washtenaw Area Transit Study (WATS). In the face of ever-increasing demand from areas outside of AATA's historical service area, the AATA Board in 2009 directed staff to undertake a Countywide Master Plan that would respond to the needs of the entire County.

The Countywide Transit Master Plan is presented in Figure 4, and the list of services contained in the Plan is found in Table 2 and in Appendix 3. The TMP Vision and Implementation Strategy, respectively, are companion documents to this report.

Figure 4 - The Countywide Transit Master Plan



**Table 2 - Projects in the Countywide Master Plan**

Strategy	Elements (for a detailed description of each element, please see Appendix 3)
Urban Bus Network Improvements (UBNE)	Urban Bus Network Enhancements  Downtown Circulator  Bus Priority Measures  Vehicle Enhancements  Transit Center Upgrades / New Multi-Modal Interchange  Stop Quality and Facility Enhancements
Countywide Connections (CW)	Enhanced WAVE Service  Countywide Express Services  Local Community Circulators  Local Transit Hubs  Park & Ride Intercept Lots
Essential Services Countywide (D2D, Flex)	Door-to-Door Countywide  Flex-Ride Services
Regional Connections	Airport Express  Car / Vanpooling  Regional Commuter Rail
High Capacity Transit (HCT)	North-South Ann Arbor (The Connector Study)  Ann Arbor - Ypsilanti (ReImagining Washtenaw Avenue)
Integrating Transit into the Community	Walkability  Biking

The Countywide Transit Master Plan was the result of a one-year planning process that involved discussion with literally hundreds of people all over Washtenaw County. This process, and the many details of the Plan, is more fully documented in *Transit Master Plan Volume 1: A Transit Vision for Washtenaw County*, which can be found on the MovingYouForward web site – see <http://www.MovingYouForward.org>.

### Countywide Governance

The Plan is only part of achieving Countywide Transit. For the Plan to become reality, there needs to be a countywide organization to build and run the service. Act 196 of 1986 provides a statutory basis for establishing a Countywide authority. It is expected that the new organization would be governed by a new 15-member Board composed of representatives from all over the County, and that the assets of the existing AATA

would eventually be turned over to the new Authority. As of this writing, efforts are underway to organize the new Board. The new Act 196 Authority's mission will be to refine the Countywide Transit Master Plan, prioritize services, find funding for the additional services, and then build and operate the new services in a staged manner.

## **Countywide Funding Options**

This section reviews sources of funding for the Plan-related elements. Funding options must consider both the cost to build transit-related infrastructure (capital funding) as well as funding to operate the services (operating funds).

Several assumptions are fundamental to funding the Transit Master Plan:

- 1) No project or service will be implemented without sufficient funding. Start-up of services without sufficient longer-term funding will only lead to under-supply and/or discontinuation of services later.
- 2) Evaluation of funding options must ensure fairness, that is, funding burdens must be distributed equitably and not fall too heavily on a particular group or geographic area.

### ***Federal Capital Funding***

Building the TMP infrastructure consists of the following types of activities depending on the service being developed. Examples of capital investments include: vehicle acquisition, construction of facilities such as park-and-ride lots, bus stops, transit centers, maintenance facilities and rail infrastructure. Projects involving rail and bus rapid transit may include station construction and right-of-way improvements. Property acquisition may also be required for some projects and is also a capital expense.

Traditional federal capital transit funding is the result of various Surface Transportation Act authorizations over the years, and falls into two broad categories:

*Apportioned Funds:* these are funds that are granted to individual localities based on the amount of service provided and the size of the area served. Agencies do not compete for these funds, and agencies can more or less "count on" these funds to be available at a predictable level year-after-year.

*Allocated Funds:* this category of funding is available by competitive application. Localities apply for these funds by preparing project-specific applications that are judged according to how well they meet the federal funding criteria. Localities may receive the full amount that they apply for, a fraction of the request, or nothing at all. Historically, there have always been more requests than there are available funds, so there is always a greater degree of uncertainty regarding allocated funds. The evaluation process at the federal level typically involves attention to the distribution of grants across the country so that no geographic area is disproportionately favored over others. However, this process is not perfect and in fact Michigan, over the years, with respect to transit, has on average received about 45 cents for every dollar it contributes in taxes.

Below is a list and short description of existing federal programs:

**Urbanized Area Formula Funding Program** (Section 5307): Apportions grant funding for capital investments in transit vehicles, equipment, maintenance facilities, passenger stations and administration buildings. This can include replacement of buses, overhaul of buses, rebuilding of buses,

and construction of maintenance and passenger facilities. Capital investments in new and existing fixed guideway systems (such as High Capacity Transit) would also be eligible. These funds are apportioned using a formula based on a combination of population, population times population density, and the level of service (bus miles) operated. There is also an incentive payment related to passenger miles in relation to operating costs.

**Discretionary Capital Funding Program** (Section 5309): Allocates capital assistance funding for transit investment projects including:

- **Bus and Bus Related Facilities** program: new and replacement buses and facilities
- **Fixed Guideway Modernization** program: modernization of existing rail systems
- **New Starts** program: New fixed guideway systems that provide high frequency service in highly congested and highly populated areas. The statutory requirement is for a minimum local match of 20%, but the FTA has been instructed not to sign any new grant agreements with less than a 40% local contribution.
- **Small Starts** program (smaller new fixed guideway systems, including bus rapid transit)
- **Very Small Starts** program: apply to schemes with total capital cost less than \$50 million
- **CMAQ** provides funding to support transportation projects in air quality non-attainment areas. Funding is distributed based on each state's share of the population of air quality non-attainment areas weighed by severity of air pollution with each state guaranteed a one-half percent minimum apportionment.
- **Livable Communities Initiative** is an FTA program that seeks to improve mobility and the quality of services available to residents of neighborhoods. The basis for the initiative is to enhance the effectiveness of mass transportation projects and provide non-vehicular, capital improvements in fixed-guideway corridors.

**Small Programs:** AATA also receives funding from two programs totaling around \$200,000 per annum. These are fixed amounts and are unlikely to be increased significantly to support implementation of the Plan.

- **New Freedom** is a formula federal grant program designed to assist individuals with disabilities by expanding services over and above current Americans with Disabilities Act ("ADA") regulations.
- **Job Access and Reverse Commute ("JARC")** program was established to address the transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment.

Most federal transit capital funding has been made available as the result of a series of authorization bills funding federal surface transportation over several decades. The last reauthorization, signed into law in August 2005, expired in September 2009, and funding since that time has been based on short-term extensions of the last reauthorization.

The dollar amount received by the county from each of these programs was provided earlier in Table 1. It is difficult to forecast, with any degree of certainty, federal funding availability in the long run. In light of the

status of reauthorization, it is now even hard to forecast in the short run. Formula funds have been fairly steady and might be regarded as a baseline for routine capital projects (e.g. bus replacements). Discretionary funds are based on project viability and are affected by competition from other carriers, so the best that can be said is that the Authority presumably increases its chances for funding by having more viable projects as the result of the Transit Master Plan.

No new or additional sources of federal capital funding are assumed for the purposes of the Transit Master Plan, although it is assumed that more discretionary money will flow in the area as the result of several large projects in the plan.

### ***Other Capital Funding***

The State of Michigan's role in capital funding has been to provide the matching funds for federal grants. The Michigan Department of Transportation provides the non-federal match for AATA capital grants from the Comprehensive Transportation Fund (CTF). The CTF is an element of the Michigan Transportation Fund with revenues from state gasoline tax, and a portion of auto-related sales tax. Providing the match for federal grants is the first priority for the use of the CTF, after debt service and administration.

Other sources of capital funding might be gained through Public / Private Partnerships or through outright *private sector grants*. An example of the latter is the Detroit Woodward Avenue Light Rail project in which private companies are providing \$125 M to supplement federal funding for this project. This project is unique but shows the potential for large highly visible projects to attract private donors.

*Public-private partnerships* are common in Europe and taking hold in the US. These are described more fully in Appendix 4. There are a wide range of potential structures for a P3 transaction, with varying degrees of risk transfer. Each contract is individually structured to meet the specific needs of the project and availability of funding. Essentially the private sector will fund a portion of the necessary investment using a mix of equity and debt, with the debt secured by the contractual obligation on the Authority to make payments over the term of the concession.

*Tax Increment Financing* (TIF) is a popular method of financing the public costs associated with development and redevelopment projects in business districts and associated corridors. The funding stream would be based on implementing a TIF development district (e.g. one or more Development District Areas and related Corridor Improvement Area) and diverting tax revenues generated by reassessment of property values and new development to finance transit improvements benefiting the district. The Ann Arbor Downtown Development Authority raises around \$4 million annually through TIF and several Washtenaw County projects have been funded through TIF by the Brownfield Redevelopment Authority generating \$37.7 million, equivalent to 8.1% of estimated investment.

There are also *loan programs* at both the State and Federal levels that can be used to obtain financing in private markets. Of course, loans must be repaid, making these programs more of a financing and cash-flow management tool than a new source of funds. Debt financing is discussed in further detail in Appendix 5.

## ***Operating Funding***

Existing sources of funding for transit operations were described earlier in this report and in Table 1.

Potential new funding for operations might consist of any of the following sources, although some are easier to implement than others, based on both practical considerations and degree of public support. The potential new (or expanded) sources are listed below and subsequently described in more detail, including discussion of potential yields by each source and the assumptions that the calculations are based on. Those estimated yields are used in the following section to construct a hypothetical budget for the Master Plan.

- Passenger Fare Revenues
- Advertising and Sponsorship
- Property Tax (Millage)
- Sales Tax
- Payroll Tax
- Parking Tax
- Stakeholder Contributions
- Motor Fuel Tax
- Vehicle License Fees

**Passenger Fare Revenues:** Revenues from passenger fares are projected to increase to \$25.7 million within Washtenaw County by 2040. This represents an increase from 18% of cost coverage (farebox recovery) in 2010 to around 30% by 2040, based on anticipated demand growth and fare increases of 1% per annum in real terms. This would bring the network closer into line with the national average of 31.5% reported by APTA for 2009. (These totals include contributions received for special fare programs for UM, getDowntown, etc., as well as fares paid directly by passengers).

**Advertising and Sponsorship:** AATA generated a total of \$0.09m from advertising in 2009, which is around 2% of farebox revenues. The scope for increasing this revenue stream will depend on the strength of the local advertising market and availability/pricing of competing media, such as billboards. In general advertising is aimed at non-transit users and therefore the level of network patronage is not a factor unless there is a high mode share.

Sponsorship of transit facilities and naming rights for stations has been used to generate revenues on some new systems. Modeled on sponsorship arrangements for sports stadia and teams, corporate entities agree a financial contribution to the Authority in exchange for the naming rights to a station or route for a defined period. Dubai Metro has generated significant sums from naming rights and the London UK cycle hire scheme is sponsored by a bank. Experience in US transit is limited and more geared to local circumstances (typically the presence of a major employer). Consequently there is no reliable means of assessing the potential value in Ann Arbor.

A more limited but accessible form of sponsorship relates to special events or services such as reduced fares on football game days or holidays. This could help defray some of the costs associated with operating the transit system for the Authority but cannot be considered as a consistent or significant source of revenues.

We have assumed that the value of this revenue stream will remain at 2% of increasing farebox revenues.



**Property Tax (Millage):** The current Ann Arbor City Charter millage at the rate of 2.056 is just sufficient to cover the operating costs of the existing network. Table 3 illustrates the yield associated with several different countywide millage rates. The rate for any new millage must, by law, be consistent across the county. Also, we have assumed that the Ann Arbor millage continues, with an additional Countywide millage introduced at the rate of 1.000 by 2015, increasing to 1.500 by 2025. It is also assumed that the Ypsilanti millage – with an approximate annual yield of \$280,000 – will remain in place.

**Table 3: Potential Local Property Tax Revenues (\$m per annum, 2010 valuation estimate)**

Revenue Streams	Millage Rate	Ann Arbor	Revenue Generated \$m		
			Rest of Urban Area	Rest of County	Total
<b>Local Property Tax: millage rates</b>	2.056 Ann Arbor (current)	9.5			9.5
	<i>Overlaid by</i> 1.000 Countywide	4.6	4.6	5.3	14.5
	1.500 Countywide	6.9	6.8	8.0	21.7
	2.000 Countywide	9.2	9.1	10.6	29.0

There are many possible variations for a hypothetical budget (see next section). For example, if it is desired to eliminate dependency on property taxes as soon as possible, it may be feasible to establish the alternative(s) at a date earlier than is currently assumed. For example, perhaps a sales tax or payroll tax could be introduced earlier, making it possible to eliminate the millage after the first five-year period. Alternatively, the hypothetical gas and/or vehicle registration fees could be introduced at higher rates, minimizing or eliminating the need for the property tax.

The final decision(s) regarding an appropriate mix of funding options will be up to the new Authority that is created to implement the Transit Master Plan.

**Sales Tax:** Reliance on a property tax for transit funding is relatively unusual. Analysis of funding sources for transit in urbanized areas (source: APTA Public Transportation Investment Background Data, 4<sup>th</sup> edition, May 16 2011) indicates that, in 2009, 67% of dedicated operating revenues were derived from sales taxes, and just 6% based on property taxes (with comparable amounts raised by income taxes and gas taxes). There is some geographical bias with cities in the West and South more likely to use sales taxes to generate local funds for the

building and operation of transportation projects while east coast/northeast areas tend to be more often taxed through property assessments, with sales tax initiatives generally far less popular or successful. The typical range of sales taxes dedicated to transit is between 0.25c and 1c.

Sales taxes are potentially a more progressive solution than property taxes as contributions drawn from all beneficiaries, including people working in and visiting the area, rather than just local residents. However, all people pay the same rate regardless of their income, so they also have a regressive element. While these revenues grow in line with inflation, the yield is sensitive to any downturn in economic conditions.

There is currently a state sales tax of 6.0%, which generated \$6.167 billion in 2009/10, of which 1% was allocated to the Comprehensive Transportation Fund. A supplementary sales tax of 1c dedicated to transit would generate \$1.03 billion and if allocated pro-rata to population, the Washtenaw County share would be worth \$35.8 million per annum. Since 2001, personal consumer expenditure has risen at 2.0% per annum in real terms, although this included a period of stronger 2.5% annual growth to 2007 before the recession. Using a conservative assumption of 1% real growth (half the long term trend), the yield would amount to \$41.1 million by 2025, rising to \$47.8 million by 2040. A 1c sales tax would therefore yield approximately the same revenue as continuation of the Ann Arbor millage at the current rate, in combination with a 2.000 Countywide millage.

Introducing a local sales tax instead of one applied statewide may be more appropriate but would require a voter led amendment to the State Constitution. However, this would carry the risk that the applicable supplementary charge could push consumers to make higher value purchases outside the sales tax area, adversely impacting some local retailers and generating additional cross-boundary car trips.

It has been suggested that a local 1c sales tax funding of transit would be a preferable long term alternative to an increasing millage. Given the legislative requirements, we have assumed that this measure could be introduced at some time between 2025 and 2040.

**Payroll Tax:** A payroll tax could be levied on salaries paid by local employers. By applying taxes based on location of employment rather than residence there is less potential for “free riding” by commuters who work in one jurisdiction but live and pay taxes elsewhere. However, the approach is open to criticism over lack of representation by the taxpayers, and that it acts as an incentive for businesses to locate outside the taxed area. It may be necessary to provide exemption for smaller companies. In Oregon the state administers a payroll tax of .6918% in Tri-Met Transit District in Portland and the Lane Transit District in Eugene. The tax rate increases annually by 1/100 of a percent. France has a national system of payroll tax “*versement transport*” with the rate set according the size of the urban area and corresponding transit dependency.

Without data on the current incomes of employees in the region it is difficult to make a meaningful estimate of the potential revenue which could be raised through a payroll tax. Therefore, no estimates have been made and this mechanism has not been assumed as part of the hypothetical budget in the next section. Instead it is treated as a possible substitute for a sales tax, with the assumption that it could yield approximately the same amount. As additional analysis of funding options takes place, these estimates could be confirmed.

**Parking Tax:** A number of US cities apply a parking tax on commercial parking in downtown areas. In theory a tax on parking should encourage use of transit for commuting, although the lack of equivalent charges in suburban areas could lead to undesirable migration of business. Rates vary, with many cities in the range 10-12%

although substantially higher rates of 20-25% apply in some major cities. Chicago uses a flat rate tax instead of a percentage levy. Residential parking is normally exempt.

Ann Arbor Downtown Development Authority (DDA) manages the public parking system by contractual agreement with the city and has the authority to set parking rates. Parking revenues totaled \$14.6 million in 2009-10 and are expected to increase to around \$16.5 million in 2012-13 with the opening of a new parking structure. The terms of a new parking agreement approved by the DDA in May will see 17% of parking revenues passed to the City. The agreement runs to June 2033, although there is potential for an opt out or renegotiation after 11 years.

An assumed 20% tax would therefore be expected to raise \$3.2 million per annum but could not be implemented before 2022.

**Stakeholder Contributions:** Potential funding of operations by other local stakeholders as beneficiaries of the project should also be considered. There are several Purchase of Service Agreements (POSA) related to services in the City of Ypsilanti and three neighboring Townships. Existing POSA's are assumed to disappear once the millage is extended Countywide, although there may be POSA's for jurisdictions outside Washtenaw County.

The University of Michigan (the "University") makes a contribution to special fares on AATA bus but also currently operates its own network of buses. One of the High Capacity Transit corridors has potential to replace a significant element of the University's network and there would be justification for the University to make a contribution to its operating costs from savings made in their own bus operating costs. For purposes of the hypothetical budget, a base contribution of \$3.8 million per annum is assumed (equivalent to the current state contribution to operating expenses of University of Michigan Parking and Transportation Services), with the associated farebox revenue captured directly on the new mode.

Additional stakeholder contributions might be gained by going directly to local employers and organizations to seek sponsorship of services.

(NOTE: The following two options – Motor Fuels Tax and Vehicle License Tax could either be levied at the State or local level. If levied at the State level, changes might be part of a revision to the tax regimes which currently support the Comprehensive Transportation Fund. State enabling legislation would be required to implement these taxes at the local level.)

**Motor Fuels Sales Tax:** Fuels sales taxes are widely applied and understood and have the merit of being relatively easy to collect and administer. In Michigan the tax is established in the Motor Fuels Tax Act (2000 PA 403) and rates were last increased in 1997. In FY 2010/11 State motor fuel sales taxes on gasoline (\$0.19 per gallon) and diesel (\$0.15 per gallon) contributed revenues of \$941 million. Motor fuels are also subject to sales tax in Michigan.

It is understood that the State of Michigan considered an increase in the fuel tax rate from 19 cents to 23 cents per gallon for unleaded fuel in 2010, followed by a further increase to 27 cents per gallon within three years. If implemented in full, the measure would raise approximately \$350 million per annum in additional revenue across the State. Similar increases in tax on diesel to raise the rate to 27 cents per gallon would raise a further \$92 million. Washtenaw County represents around 3.3 percent of Michigan's population, and it is assumed that its potential share of an increase in taxes would therefore be \$7.3 million based on the first stage increase (\$5.8m gas + \$1.5m diesel), rising to \$14.7 million per year at 27 cents per gallon (\$11.6m gas + \$3.1m diesel).

The estimated yields from these calculations are shown in Table 4 and are as assumed elements of the hypothetical budget.

Obtaining approval for a significant increase during a period of historically high fuel prices is likely to be challenging, but it may become a more realistic option at some stage in the future. The option of a more localized application should be investigated as an alternative if a full statewide tax increase is rejected. Nine states permit cities or counties to impose a local tax on fuel, but this does not currently apply in Michigan. In this event the Washtenaw County share should be similar to the projections shown here.

Using fuel taxes to fund transit rather than highway infrastructure is open to criticism that those paying the tax are generally not those using the service, but the existence of a transit option does provide non-user benefits through reduced road congestion. However, it is necessary to take into account the potential decline in fuel tax receipts over time as fuel efficiency of automobiles improves (at around 2.4% per annum in recent years), and the fact that these tax rates are not automatically adjusted for inflation. As a conservative assumption, it is assumed that the potential net value of the revenue stream will decline by 4% per annum in real terms by 2025, and thereafter at the assumed inflation rate (1.6% per annum). This results in, by 2040, a Washtenaw share worth \$4.1 million from the existing tax rate and \$2.8 million from the increment (in 2010 equivalent prices).

**Vehicle Licenses:** Michigan State derived \$989 million in FY 2010/11 from licenses and permits, including a vehicle registration fee of \$98.6 per vehicle. If the rate was raised by \$15 it would contribute an additional \$127 million Statewide, and the equivalent local share (related to Washtenaw County population) would amount to \$4.2 million per year. Table 4 shows the revenue generated by a \$1 increment and a full \$15 increase. Again it may be possible to apply the tax on a localized basis with the appropriate enabling legislation. However, there may be reasons to work together with other transit agencies to implement such a measure on a state-wide basis.

**Table 4: Potential Fuel and License Plate Fee Revenues**

State Funding Options	Incremental Revenue			
	Increment	New Rate	Statewide \$m	Washtenaw share \$m
Motor Fuels Tax				
Gasoline	+2 cents	21 cents	87.6	2.9
	+4 cents	23 cents	175.2	5.8
	+8 cents	27 cents	350.4	11.6
Diesel	+6 cents	21 cents	46.2	1.5
	+12 cents	27 cents	92.4	3.1

#### Vehicle license plate charge

\$1	\$99.60	8.5	0.3
\$15	\$113.60	127.3	4.2

**Federal Operating Grant:** The Authority currently receives apportioned federal operating grant funding under FTA Section 5307 (urbanized formula). The formula is based on population, population multiplied by population density, and level of service (bus miles) operated. There is also an incentive payment related to passenger miles in relation to operating costs.

The hypothetical budget assumes a continuation of the annual funding formula for bus operations at the same rates in real terms. Expansion of bus output can be expected to result in a higher allocation based on bus miles. Although a wider population will be served the formula benefits may be offset to some extent by a reduction in average density of the population served. However, additional passenger miles will also mean an increase in bus incentive payments by 2.5 times by 2015 and 2.6 times by 2025 after allowing for higher operating costs. It is estimated that the annual federal funding apportionment would increase by 33% by 2015 to \$3.3 million, excluding current contributions to planning and ARRA operating assistance.

The new network will also qualify for fixed guideway tier payments once High Capacity Transit is operational. We have assumed that this element would qualify for an incremental \$0.7 million in annual funding (in 2010 prices), taking the equivalent contribution to \$4.0 million by 2040.

A number of the foregoing options cannot be implemented simply by a decision of a new Act 196 Authority. Some options may require state legislation, either to enable local establishment of the tax or to establish it statewide. Some measures such as millages generally require a voter referendum. Some measures may be specifically prohibited by the state constitution. The legalities surrounding the various measures have not been investigated in detail, and further study of these issues is recommended.

## A Possible Countywide Transit Budget

This section describes the estimated costs to build the Transit Master Plan and to operate the services contained in it. Based on the previously discussed potential sources of funding, hypothetical budgets have been created that match potential funding sources with those costs.

Table 5 lists the several categories of planned service improvements, along with estimated costs for each during several time frames.

**Table 5: TMP Capital Expenditure by Strategy (in 2010 \$ prices)**

Strategy	Implementation Phase (Spend in \$m)				Washtenaw Co Share	
	Years 1-5	Years 6-15	Years 16-30	Total	Value \$m	% Total
Existing urban bus <sup>1</sup>						
(on-going replacement)	29.7	36.2	43.9	109.8	109.8	100%
Urban Bus Network Improvements <sup>2</sup>	12.4	10.8	11.0	34.2	34.2	100%
Countywide Connections	8.0	8.3	3.0	19.3	17.4	90%
Essential Services Countywide <sup>3</sup>	-	-	-	-	-	
Regional Connections	13.3	105.7	14.0	133.0	39.9	30%
High Capacity Transit	8.5	203.4	70.6	282.5	282.5	100%
Integrating Transit into the						
Community <sup>4</sup>	5.0	15.0	-	20.0	20.0	100%
<b>TOTAL</b>	<b>76.9<sup>5</sup></b>	<b>379.4</b>	<b>142.5</b>	<b>598.8</b>	<b>503.7</b>	<b>84%</b>

### Notes

1 Includes provision for fleet expansion to 85 hybrid buses 2010-15

2 Includes additional bus storage (\$2m in 2010-15, \$2m in 2025-40)

3 No capital cost as services are operated under contract (contractor provided vehicles)

4 These projects may be funded by local cities or townships but have been included in the County total at this stage

5 The Washtenaw County share of the Plan in the first 5 years is assumed to be \$67m

Table 6 presents the overall capital cost of the Countywide Transit Master Plan and shows a hypothetical mix of funding measures that could be used to pay for the capital costs of the plan over the thirty-year period. Note that the funding strategy involves using federal funds in two ways: 1) a pay-as-you-go approach that spends grant money on projects as that money flows into the region 2) a debt-financed component whereby loans are taken out to pay upfront costs of certain projects, and then are re-paid later out of the stream of federal grants.

**Table 6: Hypothetical Sources of TMP Capital Funds by Plan Strategy (\$m in 2010 prices)**

Strategy*	Authority Bonds (using Fed 5309 Grants 5307)	Fed 5307 / for PAYG	TIF (RRIF) Loan	Small Starts / VSmall Starts	TIFIA Loan	New Starts	SIB Loan	Total Cost \$m
Base urban bus (renewals)	44.9	64.9	-	-	-	-	-	109.8
Urban Bus Network Improvements	20.0	-	14.2	-	-	-	-	34.2
Countywide Connections	13.7	-	-	-	-	-	3.7	17.4
Regional Connections	-	2.0	-	37.9	-	-	-	39.9
High Capacity Transit	19.8	-	-	-	93.2	169.5	-	282.5
Integrating Transit into the Community <sup>1</sup>	-	-	-	-	-	-	20.0	20.0
<b>TOTAL FUNDS AVAILABLE \$m</b>	<b>98.3</b>	<b>66.9</b>	<b>14.2</b>	<b>37.9</b>	<b>93.2</b>	<b>169.5</b>	<b>23.7</b>	<b>503.7</b>

<sup>1</sup> ultimately funded by local cities and townships. NOTE: Total cost excludes non-Washtenaw portions of commuter rail projects.

\* Please see Table 2 for the list of plan elements (services) contained in each strategy

As services are implemented, operating costs for the system increase. Estimated annual cost of plan operations are shown Table 7, broken down by service category (Strategy) and by time frame.

**Table 7: TMP Annual Operating Costs, by Plan Strategy (\$m in 2010 prices)**

Strategy*	2009	2015	2025	2040
Base Urban Bus (excl depreciation)	19.3	20.0	17.5	16.2
Base Urban Door-to-Door	4.6	4.6	6.4	10.3
Urban Bus Network Improvements		6.4	12.1	13.9

Countywide Connections	0.8	1.1	1.2
Essential Services Countywide	6.5	15.5	26.4
Regional Connections	1.7	5.9	6.6
High Capacity Transit	0.0	7.8	11.3
<b>TOTAL \$m</b>	<b>23.9</b>	<b>40.0</b>	<b>66.3</b>
			<b>85.8</b>

*Note that introduction of High Capacity Transit results in reduction of Base Urban Bus services and hence reduction in their operating cost*

*\* Please see Table 2 for the list of plan elements (services) contained in each strategy.*

Total cost excludes non-Washtenaw portions of commuter rail projects.

In order to pay for TMP operations, a new mix of funding sources is needed. Using the various options described earlier, a hypothetical operations budget has been constructed and is presented in Table 8.

**Table 8: Hypothetical Sources of TMP Operating Funds by Plan Strategy (\$m in 2010 prices)**

	Actual		Projected Revenues and Payments (2010 prices)							
	2010		2015		2025		2040			
	Value \$m	%	Value \$m	%	Value \$m	%	Value \$m	%	Value \$m	%
<b>Operations</b>										
Fares Revenues	4.6	18%	8.4	20%	15.8	22%	25.7	27%		
Advertising / Sponsorship	0.1	0%	0.2	0%	0.3	0%	0.5	1%		
<b>Local Funding</b>										
Property Tax Ann Arbor 2.056	9.7	38%	9.5	23%	9.5	13%				
Property Tax Countywide 1.000			14.5	35%						
Property Tax Countywide 1.500					21.7	30%				
Sales Tax (1c) incl 1% pa real growth							47.8	50%		
<i>or equivalent from Payroll Tax</i>										
Parking Tax					3.2	4%	3.2	3%		
Stakeholder Contribution	0.9	3%	-	0%	3.8	5%	3.8	4%		
<b>State Funding</b>										
Existing contribution	6.7	27%	6.1	15%	5.6	8%	4.1	4%		



New contribution - motor fuels tax	3.6	5%	2.8	3%
New contribution - vehicle license	4.2	6%	4.2	4%
<b>Federal Funding</b>				
Section 5307 operating	2.4	10%	3.3	8%
Section 5307 planning + ARRA	0.9	4%		
<b>TOTAL SOURCES</b>	<b>25.1</b>	<b>100%</b>	<b>41.9</b>	<b>100%</b>
<b>Operating Costs</b>			<b>(40.0)</b>	<b>(66.3)</b>
Contribution to Financing Costs			1.9	5.3
				10.3

## Appendices

<b>1. Details: Federal Funding programs</b>	<b>26</b>
<b>2. AATA Financial Statements – last three years</b>	<b>32</b>
<b>3. Transit Master Plan Details</b>	<b>36</b>
<b>4. Details: Public / Private Partnerships</b>	<b>40</b>
<b>5. Details: Debt Financing</b>	<b>46</b>
<b>6. Details: Leveraging Grants</b>	<b>52</b>
<b>7. Details: TIF Districts</b>	<b>58</b>





## **Appendix 1:**

### Federal Funding



## Federal Grant Funding

Federal transportation grant funding programs provide grants directly to state or local governments for capital projects based on formula, application or congressional earmark. To be considered for federal transportation funding, states must develop a long-range transportation plan.

The Federal Aid Program is funded by proceeds of the federal motor fuel tax, the federal heavy vehicle use tax and federal motor carrier excise taxes collected in the Federal Highway Trust Fund ("HTF") and in the Mass Transit Account of the HTF. The Federal Highway Act of 1956 established the HTF and subsequent reauthorizations established formulas for apportioning surface transportation funding to the states and their jurisdictions. In 2005, President Bush signed the latest reauthorization of the federal transportation program, Safe, Accountable, Flexible, Efficient, Transportation Equity Act ("SAFETEA-LU"), which expired in September 2009. Since then SAFETEA-LU has been operating on a series of short-term extensions. Congressional action is needed to provide for continued federal funding of transit.

In general, federal transportation funding falls into two categories, apportioned and allocated, depending on the manner in which the funds are distributed. Apportionments refer to grants that a state or locality is guaranteed to receive as long as authorizing legislation is in place. Allocated funds do not include such a guarantee and are subject to annual congressional discretion. Apportionments are distributed annually via formula and the use of such funds is subject to statewide and metropolitan planning process requirements. Allocations are distributed either through a U.S. Department of Transportation competitive selection process or through congressional earmarking. Projects seeking such "discretionary" funding must participate in the competitive selection process with the administration and/or Congress.

Most federally funded projects require a match with state or local funds of at least 20% of the total project cost. In general, there is a time delay between the application for federal grant programs and their award. Programs that are managed by state agencies can often have a much quicker turn-around between application and award. Once awarded, each grant has specific reporting and audit requirements, which vary according to program.

### *Operating Funding*

The AATA currently receives 13.3% of its operating revenue from a variety of federal grant funding programs including FTA Sections 5307, 5311, 5313, 5316 (Job Access/Reverse Commute), and New Freedom programs. Table A1.1 – AATA Federal Funding provides a breakdown of federal operating revenue under various programs between 2008 and 2010.

**Table A1.1 – Federal Funding to AATA for Operations**

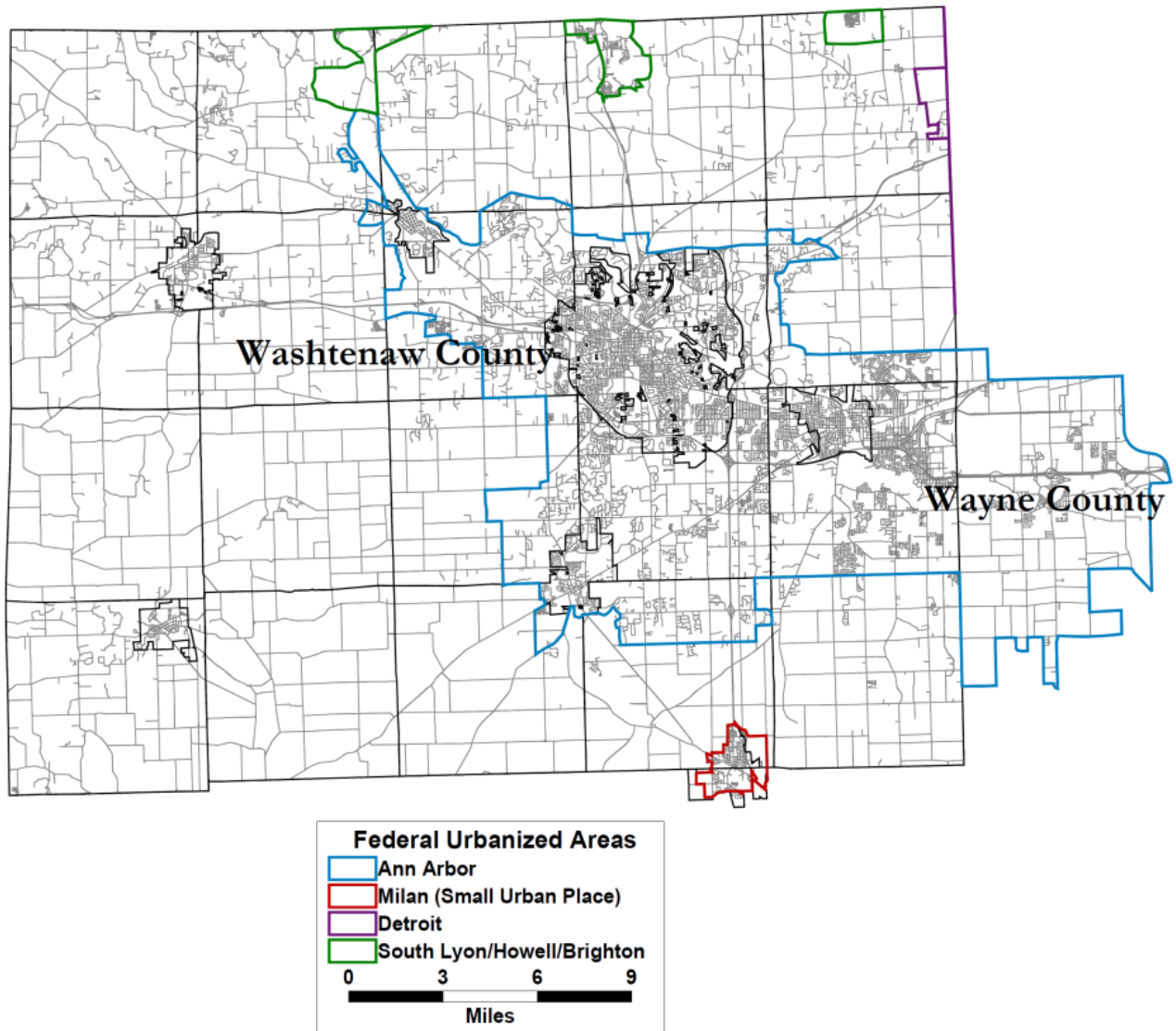
AATA Federal Funding for Operations (2008-2010)			
Program	2010 \$	2009 \$	2008 \$
Unified Planning Program (Section 5303)	49,440	49,440	49,440
Planning (5307 and 5304)	617,431	258,621	169,189
Planning (5313)			
Non Urban (Section 5311)	156,554	148,330	142,628
Capital Cost of Contracting (Section 5307)	200,000	200,000	200,000

CMAQ (Section 5307)	162,190	231,826	48,756
Job Access/Reverse Commute	51,608	33,628	
Operating Assistance (ARRA)	280,000		
New Freedom	35,914	16,564	
Preventive Maintenance (Section 5307)	1,475,000	1,250,000	1,294,538
Travel Demand (CMAQ)	225,000	170,000	205,165
Other	103,441		
<b>TOTAL</b>	<b>3,356,578</b>	<b>2,358,409</b>	<b>2,109,716</b>

#### Section 5307

The Urbanized Area Formula Funding program (49 U.S.C. 5307) makes federal resources available to urbanized areas and to Governors for transit capital and operating assistance and for transportation related planning. An urbanized area is an incorporated area with a population of 50,000 or more that is designated as such by the U.S. Department of Commerce, Bureau of the Census. The extent of the Ann Arbor urbanized area is shown in Table A1.2 (overleaf).

**Table A1.2 – Federal urbanized area boundaries**



Section 5307 grants provide funding for capital investments in bus and bus-related activities such as replacement of buses, overhaul of buses, rebuilding of buses, crime prevention and security equipment and construction of maintenance and passenger facilities. Other eligible uses of 5307 funds are capital investments in new and existing fixed guideway systems including rolling stock, overhaul and rebuilding of vehicles, track, signals, communications and computer hardware and software. Regional connectivity, including new rail service plans, could be funded under this section of the 5307 program since it involves capital funding of a new fixed guideway transportation.

These 5307 funds are apportioned using a formula based on a combination population, population times population density, and the level of service (bus miles) operated. There is also an incentive payment related to passenger miles in relation to operating costs.

### Section 5309 and New Starts

Section 5309 provides capital assistance for transit investment projects including:

- New and replacement buses and facilities (Bus and Bus Related Facilities program)
- New fixed guideway systems (New Starts program) and corridor based bus initiatives (Small Starts)
- Modernization of existing rail systems (Fixed Guideway Modernization program).

The first category could include the enhancement and expansion of the bus network.

Certain of the bus network initiatives are potentially eligible under the Small Starts / Very Small Starts program. This is discretionary and competitive grant program covering a maximum of 80% of project costs and the total funding available under the scheme is capped at \$200 million per year.

Funds can be applied to corridor-based bus projects operating at 10 minute peak/15 minute off-peak headways (or better) for at least 14 hours each weekday using low floor buses. To be eligible the project must include substantial transit stations and traffic signal priority.

Very Small Starts have additional requirements in that they must have existing ridership exceeding 3,000 per average weekday, and total capital cost less than \$50 million. Corridors with any pre-existing elements are not eligible under the program, although they do qualify for FTA's formula capital and discretionary bus programs.

An additional hurdle is posed by the financial evaluation criteria, with the sponsor expected to demonstrate that additional operating and maintenance cost of the project is less than 5 percent of the transit agency's operating budget in order to achieve a "medium" rating (the effective minimum for progress). The project may be rejected if it does not meet this test.

The New Starts program is the primary federal source for major transit capital investments for construction of new fixed guideway systems or extensions to existing systems. Since January 2010 the FTA project evaluation criteria for New Starts include economic development and environmental benefits, as well as congestion relief.

The High Capacity Transit scheme would appear to be compatible with the New Starts funding program, but not Small Starts, as the total investment exceeds \$250 million.

The New Starts project evaluation process requires a local financial commitment. The statutory requirement is for a minimum local contribution of 20%, but the FTA has been instructed not to sign any new grant agreements with less than a 40% local contribution.

The steps in the process are:

- The project must be included in the Regional Transportation Plan (RTP).
- The project is moved into the Transportation Improvement Program (TIP) for preliminary engineering (PE) activities.
- Project is evaluated as required by 49 U.S.C. Section 5309(e) (6) – the Federal Transit
- Administration will make a decision on whether or not to advance the project to preliminary engineering (PE). This does not constitute a funding commitment.
- Full National Environmental Policy Act (NEPA) documentation included as part of PE activities
- Initiation of final design, right of way acquisition, and utility relocations begins once all NEPA processes are complete.

- Local financial commitment subject to evaluation to make the required approvals for entry into final design and to execute a Full Funding Grant Agreement (FFGA) and funding recommendation to Congress.

The process is rigorous and lengthy, with FTA holding transit agencies accountable for results, and ensures that the federal obligation to the project is protected from any cost over-runs (which are borne locally). A key component of the FTA project rating system is the cost effectiveness of the proposed system, and only projects providing high frequency service in highly congested, highly populated metropolitan areas are likely to meet these criteria.

### Small Programs

AATA receives funding from a number of small programs totaling around \$200,000 per annum. These are fixed amounts and are unlikely to be increased significantly to support implementation of the Plan.

CMAQ provides funding to support transportation projects in air quality non-attainment areas. Funding is distributed based on each state's share of the population of air quality non-attainment areas weighed by severity of air pollution with each state guaranteed a one-half percent minimum apportionment. CMAQ projects can generally be classified in one of the following categories: transit improvements, shared-ride services, traffic flow improvements, demand management strategies, pedestrian and bicycle programs, inspection and maintenance programs. Capital investments in low emission buses or in other projects that improve air quality could qualify for CMAQ funding.

New Freedom is a formula federal grant program designed to assist individuals with disabilities by expanding services over and above current Americans with Disabilities Act ("ADA") regulations. Designated recipients are required to provide funding through a competitive application process that relies on a coordinated planning process to identify strategies that work towards closing gaps in service for target populations.

Job Access and Reverse Commute ("JARC") program was established to address the transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment. Section 5316 funds are apportioned among the recipients by a formula which is based on the ratio that the number of eligible low-income and welfare recipients in each such area bears to the number of eligible low-income and welfare recipients in all such areas. Eligible grant funding uses include capital, planning and operating expenses for projects that transport low-income individuals to and from jobs and activities related to employment, and for reverse commute projects.

Livable Communities Initiative is an FTA program that seeks to improve mobility and the quality of services available to residents of neighborhoods. The basis for the initiative is to enhance the effectiveness of mass transportation projects and provide non-vehicular, capital improvements in fixed-guideway corridors. Eligible recipients of the FTA planning funds are transit operators, metropolitan planning organizations, city and county governments and other public bodies with the authority to plan or construct transit projects. It would only be ancillary to funding needed to implement a fixed-guideway scheme.