MEMORANDUM

THE EDAPTS APPROACH: FUNDING MECHANISM

DECEMBER 2008

PREPARED FOR: CALIFORNIA DEPARTMENT OF TRANSPORTATION

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OVERVIEW

As an ongoing project, the Efficient Deployment of Advanced Public Transportation Systems (EDAPTS) seeks to help small urban and rural transit agencies implement innovative technologies that can improve their daily transit operations and management.

EDAPTS is an Approach that effectively guides small urban and rural transit agencies through the process of acquiring Advanced Public Transportation System (APTS). EDAPTS approach offers a procurement methodology and a set of tools that facilitate the implementation of APTS specifically for small urban and rural transit providers. The principle of the EDAPTS approach is to “buy only what you can afford and really need now, but buy adaptable solutions that can grow as you and your needs change.” For more information about EDAPTS approach, please see The EDAPTS Approach: Defining Project Needs.

The EDAPTS approach offers resources and tools to assist small urban and rural transit agencies at various processes of APTS implementation as described in the diagram. One critical process is to obtain funding for the implementation.

The direct audiences of this memo are current and future team members of EDAPTS project, as well as the decision makers in California Department of Transportation (Caltrans) or other entities. However, the main body of the memo can be easily converted to satisfy transit agencies’ needs. For instance, the proposed EDAPTS Website can present a lot of information in the memo as a comprehensive online funding resource tool. Small urban and rural transit agencies will be able to browse technology related funding sources based on their own characteristics and needs.

Within the context of helping small urban and rural transit agencies identify funding for APTS implementation and operations, the memo is organized as follows:

PURPOSE OF FUNDING SOURCE INVESTIGATION
As the Market Assessment memo determined, the most significant barriers to APTS implementation faced by small urban and rural transit agencies are the lack of funding, staffing, and technical skills. Therefore, the funding source investigation explores resources that specifically focus on helping small transit agencies identify feasible funding sources that they should consider for offsetting capital and operational costs of APTS implementation.

The purpose of this funding research is to investigate funding sources at the federal, state and local levels for APTS implementation. It also highlights more suitable funding sources from the small urban and rural transit agencies’ perspective. This information helps lay the groundwork for the Final Operational Test (FOT) in the final phases of the EDAPTS project and provides helpful insight for the possible future establishment of an EDAPTS-specific funding mechanism at the state or regional level.

In order to gain a clear understanding of the funding mechanism for technology deployments, the following tasks have been undertaken.

- First, a variety of funding sources for public transportation, at federal, state, and local levels have been reviewed and categorized. Some innovative funding means (e.g. public-private partnerships) are also included.

- Among the public transportation funding sources reviewed, sources that can be used for APTS implementation and operations are summarized in the attached reference document. (Please see Exhibit I: APTS Related Funding Sources for more information).

- Based on the characteristics of the identified funding sources and typical characteristics of small transit providers, some funding sources are more suitable for small transit APTS implementation and operations. These are filtered and highlighted in the attached reference document. (Please see Exhibit I: APTS Related Funding Sources for more information).

- The project team also researched the funding application process for the State of California. This has been summarized for small transit providers in a clear, but compact, “How to Apply” guide in the attached reference document (Please see EXHIBIT II: Funding Application Process for more information).

- Additionally, an initial version of an APTS related funding resource guide for small urban and rural transit agencies is presented in a separate document The EDAPTS Approach: Funding Mechanism (1st edition).

While most agencies are well aware of the funding streams available to them, we aim to shape their thinking to recognize the opportunities they have to purchase technology with different sources of funding that are already available to them. Our goal is that EDAPTS can be tied to a specific funding mechanism under state purview, a topic that would be addressed in subsequent iterations of the funding resources guide.

This memo will be updated to reflect future changes in the authorized funding mechanisms for transportation, as driven by changes in State and Federal legislation. Changes will also be made based on the lessons learned from the future phases of the EDAPTS project, for example, the Final Operational Test.
As an important step in the EDAPTS approach, this funding memo documents funding sources for small urban and rural transit agencies for potential APTS implementation and operations. The following is a summary list of findings:

- Overall, there are a variety of funding opportunities available to public transportation agencies, including small urban and rural transit agencies. Funding opportunities can come from federal, state, local, or even private entities. Almost all the funding sources have time constraints, either for the application process or for funding availability. Different grant programs have different requirements for eligibility, e.g., maximum federal share, minimum fare-box recovery rate, etc.

- No existing funding sources from either public or private entities exclusively support innovative technology implementation and operations in the public transportation field. The current practice in APTS implementation and operations is to seek funding support from the same sources as general capital and operations funding for transit systems.

- The reality of funding APTS implementation from existing sources has put more pressure on transit agencies, especially smaller ones, because technology related funding has to compete with the ongoing service needs, vehicle procurement, and other capital and operational needs of a transit system.

- Many transit boards and managers place a lower priority on APTS implementation compared to general operations and capital funding needs, even though they are looking into innovative APTS to improve the ongoing performance and productivity of their transit services. This causes a funding scarcity for technology solutions and results in less APTS implementation.

- In the “Highlighted Funding Sources section”, a number of funding sources have been identified as more suitable for APTS implementation and operations. Most of the selected funding sources support both capital investments and operating costs for technology deployment, and a majority of them are suitable for both fixed-route and demand-responsive transit services.

- A brief “How to Apply” guide is provided for small urban and rural transit agencies in Exhibit II. It provides a quick review on the process of submitting a public transportation related funding application in California.

**RECOMMENDATIONS**

The EDAPTS team makes the following recommendations:

- Considering the fact that there are not any existing funding sources exclusively supporting technology implementation and operations, and given that the funding application process is very competitive and very complex, we recommend that EDAPTS be tied to a specific funding mechanism under the State purview.

- Involve California Association for Coordinated Transportation (CalACT) in the funding support process for small urban and rural transit systems. This involvement is ideal because CalACT is a statewide, non-profit organization that represents the interests of small, rural, and specialized transportation providers in California. CalACT is mainly funded using the federal grant program – rural transit assistance program (RTAP). Most of smaller transit agencies in the EDAPTS market assessment study indicate that they like
the idea of teaming up with other agencies to deploy APTS technology. Utilizing help from CalACT to identify suitable funding mechanisms could significantly reduce staff time and effort for small transit agencies during APTS procurement cycles.

- It is crucial to market EDAPTS to small urban and rural transit agencies with useful and systematic information and tools, such as *The EDAPTS Approach: Overview, The EDAPTS Approach: Defining Your Needs, EDAPTS Website*, etc., to help agencies:
  
  - Understand the real benefits of lower cost APTS technology solutions;
  
  - Identify their specific technology needs based on the operational needs of their own transit system;
  
  - Present their system needs and the benefits of potential technology solutions effectively to their decision makers and others.

By doing this, transit boards/managers will be motivated to perceive technology as a higher priority so that they can improve the efficiency and performance of their transit system at an affordable cost.
EXHIBIT I: APTS RELATED FUNDING SOURCES

Generally, public transportation is funded from federal, state, and local taxes, fees and assessments. However, transit agencies also are able to receive and utilize funds from private investment\(^1\) sources. Although there are a variety of funding sources available, there are still important reasons to specifically investigate technology related funding sources\(^2\), especially for small transit agencies. As indicated by researchers and practitioners\(^3\):

- It is typically hard for small urban and rural transit agencies to seek funding for APTS implementation and operations, because funding sources suitable for technology are the same sources for operations and capital funding. Therefore, APTS needs must compete with the ongoing service, vehicle, and other capital needs of a transit system.

- At the same time, because of funding scarcity, many transit boards and managers tend to perceive technology needs as secondary to operations and capital funding needs.

Considering these factors, the EDAPTS approach includes an investigation of technology related funding as an important task in helping small and rural transit agencies with APTS implementation and operations.

Research has highlighted funding sources that small urban and rural transit agencies can best utilize to deploy innovative technologies and these are summarized in the following sections. References are also listed to guide readers to more detailed information about these funding opportunities.

GENERAL FUNDING SOURCES RELATED TO APTS

Funding sources related to public transportation at different jurisdiction levels are generally described in this section. Specifically, sources that can be linked to possible APTS implementation and operations for small urban and rural transit providers are highlighted.

FEDERAL LEVEL FUNDING SOURCES

Typically, there is financial support for public transportation at the federal level. The Internal Revenue Service (IRS) collects the federal fuel excise tax, part of which is designated for transit usages. Current legislation supporting federal fuel tax allocation is the SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS (SAFETEA-LU), providing $286.4 billion in guaranteed funding for federal surface transportation programs over five years through FY 2009, including $52.6 billion for federal transit programs.

The Federal Transit Administration (FTA) of the U.S. Department of Transportation (USDOT), is the entity that administers and allocates these federal fuel tax revenues to regional agencies and local transit providers. One major way FTA helps support public transportation is by issuing grants to eligible recipients for planning, vehicle purchases, facility construction, operations, and other purposes. In these grant programs, FTA apportions funds

\(^1\) Transportation Funding in California. California Department of Transportation. 2007.
\(^2\) Here, technology related funding sources are referred as any transit funding sources that are eligible for technology investment or maintenance.
\(^3\) TCRP Report 76 (Chapter 4). Federal Transit Administration. 2002.
according to formulas and/or earmarks. FTA offers the on-line Transportation Electronic Award Management (TEAM) system for application and management of grants.

Generally, FTA grants are only available to public bodies (i.e. states, cities, towns, regional governments, transit authorities, etc.) with the legal authority to receive and dispense federal funds. The recipients of these grants are held responsible for managing their projects in accordance with federal requirements. FTA conducts on-going oversight reviews to ensure that these requirements are met.

Considering possible usages related to APTS implementation and operations for small urban and rural transit agencies, a list of grant programs sponsored by the FTA is included in the Appendix I: Federal Level Funding Sources. Each grant program is referred to by name and by a number that correlates to the section number of Title 49 of the United States Code.

It should be noted that many of these federal grant programs have their own allocation and matching mechanisms, and often include a minimum requirement on local share percentage. These requirements should be carefully considered when applying for any specific funding source.

For more information, please see:
Appendix I: Federal Level Funding Sources;
http://www.fta.dot.gov/grants_financing.html;

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**STATE AND LOCAL LEVEL FUNDING SOURCES**

State and local funds are two other major sources that may include support for capital investment and operational assistance of public transportation. Generally, taxes and fees are the chief revenue sources for state and local transit funds. As previously noted, state and local funds may be mandatory prerequisites for utilizing federal level transit funds.

Since many “state level” funds are actually collected on behalf of local jurisdictions, we will discuss both state and local level funding sources in the same section. These state funds are typically assigned back to the local level based on the proportion of population, land area, or number of registered vehicles in the areas being served.

In California, the California Transportation Commission (CTC) and Caltrans’ Division of Mass Transportation (DMT) are the two major state government entities administering and allocating state level transit funds. Additionally, Metropolitan Planning Organizations (MPOs) and Regional Transportation Planning Agencies (RTPAs) are also responsible for planning, coordinating and administering funds for regional transportation systems, including public transportation.

A detailed discussion of the state and local level funding sources is provided in Appendix II: State and Local Level Funding Sources. Again, features that might be tied to possible APTS implementation and operations are marked. Examples of typical fund sources include the ¾ percent of the state sales tax designated as a Local Transportation Fund (LTF), proposition bonds at the state level, local sales tax measures, and local transit fares.

For more information, please see:
Appendix II: State and Local Level Funding Sources;
http://www.dot.ca.gov/hq/MassTrans/.
OTHER ALTERNATIVE FUNDING SOURCES

There are many possible alternative funding sources that transit providers can use to fund technology related implementation and operations. These sources exist at federal, state, local level, or even private entities. Some approaches include approval as a FTA Demonstration Project; participating in the Flexed Federal Highway Administration Program, utilizing unique local funding sources, and establishing public-private partnerships. For instance, small transit agencies can often partner with local businesses who can provide revenue through the purchase of specific services, sponsorships, advertising, or donations.

However, these funding sources tend to be more competitive compared to standardized grant programs. They may not be traditionally used for transit projects, and may require more staff time and resources to pursue them as alternative funding sources. All these factors make alternative funding sources challenging for most small urban and rural transit agencies. Therefore, the involvement of higher tier entities, such as Caltrans DMT, MPOs, or RTPAs, to “team up” with a group of small urban and rural transit agencies who have similar technology needs, might be an effective, efficient and beneficial solution for finding small transit technology funding.

For more information, please see:

HIGHLIGHTED FUNDING SOURCES RELATED TO APTS

Obtaining funding is still one of the most significant barriers faced by small transit agencies in implementing and operating APTS. This is because:

- There is a lack of technology specific funding sources for transit systems. As mentioned before, funding for technology implementation commonly comes from the same sources as operations and capital funding, and has to compete with all the ongoing needs of a transit system.

- Without outside resources and support, small transit agencies typically lack the internal staffing, time and resources to research a long list of funding sources, seek innovative ways to finance their technology needs and they are simply unable to package and administer multiple funding sources simultaneously.

Therefore, it is very helpful for small transit agencies to have a short list of funding sources that are connected to APTS implementation and operations. In the following section, funding sources that are more suitable for technology deployment are filtered and highlighted based on characteristics of the different funding sources and the characteristics of small urban and rural transit systems. For each of these funding sources, the major characteristics that might be important to these transit agencies are pointed out. The following chart shows the highlighted funding sources.
Whenever possible, we have clearly identified funds that are available for specific purposes (i.e., capital, operating, and maintenance cost). Also, many small transit agencies operate both fixed route and demand responsive transit services, so funding sources that can be specifically used for demand responsive transit services are identified. These types of services have additional funding sources available to them due to their distinctive service characteristics.

With regard to these highlighted funding sources, input from other interested parties (e.g., the EDAPTS project team, public transportation practitioners from Caltrans DMT, or transit providers themselves) will help shape future iterations of this funding document. As a strategy, CCIT believes that is important to consider the establishment of an EDAPTS-specific funding mechanism at the state or regional level to facilitate future APTS deployments for small urban and rural transit systems.

**FEDERAL GRANT PROGRAM – TITLE 49 UNITED STATES CODE**

**FEDERAL GRANT PROGRAM – SECTION 5311 RURAL AND SMALL URBAN AREAS**

Title 49 of the US Code, Section 5311 is a federal grant program that specifically assists small urban and rural areas in their public transportation services. Through this federal grant program, funds are apportioned to every state using a statutory formula. Major factors of the statutory formula include the non-urbanized population and land area of the states. Major characteristics of this 5311 grant program, from the small transit agencies’ perspective and within the context of APTS implementation and operations, are listed as follows:

- Specifically targets small urban and rural transit providers – The main objective of this program is to support public transportation in areas with a population less than 50,000.
- Suitable for both capital investment and operating costs – Funds may be used for capital, operating, and administrative purposes.
- Suitable for both fixed-route and demand-responsive transit services.
State and/or local shares are required:

- For **capital** and **project administration**, the maximum Federal share is **80 percent**.
- For **operating assistance**, the maximum Federal share is **50 percent** of the net operating costs.
- Projects that meet the requirements of the **Americans with Disabilities Act (ADA)**, the Clean Air Act, or bicycle access projects, may be funded at a **90 percent** Federal match.

Special opportunities for rural intercity bus service – It is required that states must spend 15 percent of the apportionment to support rural intercity bus service unless the Governor certifies, after consultation with affected intercity bus providers that the intercity bus needs of the state are adequately met.

Eligible Recipients – state transportation agencies, local/regional public bodies, Indian tribes, non-profit organizations, and public transit agencies.

*For more information, please see:*
  
  Appendix I;
  
  [http://www.fta.dot.gov/funding/grants/grants_financing_3555.html](http://www.fta.dot.gov/funding/grants/grants_financing_3555.html);
  

**FEDERAL GRANT PROGRAMS – SECTION 5310 & 5317**

Title 49 of the US Code, Section 5310 and 5317 are specific federal grant programs that provide funding to states for meeting the transportation needs of human services (e.g., the elderly and persons with disabilities). With respect to APTS, these funding programs can be utilized for technology implementation and operations among demand-responsive transit services, since technology could significantly improve their efficiency.

*For more information, please see:*
  
  Appendix I;
  
  [http://www.fta.dot.gov/funding/grants/grants_financing_3556.html](http://www.fta.dot.gov/funding/grants/grants_financing_3556.html);
  

**STATE FUND – LOCAL TRANSPORTATION FUND**

In California, the 1971 Transportation Development Act (TDA) earmarked ¼ percent of the state sales tax for a wide variety of transportation programs, including public transportation and transit services. Accordingly, a Local Transportation Fund (LTF) was created in each county to receive the money. According to the 2005 Survey of State Funding for Public Transportation[^4], LTF has been the primary source of state transit funds in California. Important features and requirements related to technology deployment in small transit environments are listed as follows:

- Established by the 1971 Transportation Development Act (TDA). More flexible than federal level grants but less flexible than local level funds.

[^4]: Department of Transportation (DOT) and Bureau of Transportation Statistics (BTS). Survey of State Funding for Public Transportation. 2005.
Suitable for both capital investments and operating expenditures – LTF can be more effectively used for operating assistance than federal funds since federal grants are generally designed to be used for capital investments rather than operating costs.

Suitable for both fixed-route and demand-responsive transit services.

Provides leverage for federal funds that require a minimum state/local share.

Requires minimum fare-box ratios and local support to qualify for funding:

- A transit agency must maintain a ratio of fare revenues to operating cost at least equal to the ratio it had during 1978/79, or a minimum of 10 percent if the agency is in a non-urbanized area, whichever is greater.
- For service that is provided for elderly and handicapped persons, the RTPA may adopt by resolution any performance criteria, local match requirement, or fare recovery ratio it desires.

Mandated Public Participation - Public participation is a key component of TDA. Activities of public participation include having public meetings and establishing Social Service Transportation Advisory Councils (SSTACs), to hear concerns, discuss transportation needs, and make project approval decisions.

Eligible Recipients – state and regional transportation agencies, local public bodies, public transit agencies.

For more information, please see:
Appendix II;

STATE FUND – STATE TRANSIT ASSISTANCE FUND AND PUBLIC TRANSPORTATION ACCOUNT

Another major source of funding for public transportation provided by TDA is the State Transit Assistance (STA) fund, which, is derived from the statewide sales tax on gasoline and diesel fuel. STA funds are appropriated by the California legislature to the State Controllers office. For some cases, STA funds are also referred as Public Transportation Account (PTA).

STA funds share the same features and requirements as LTF when small transit agencies want to utilize them for APTS implementation and operating purposes.

For more information, please see:
Appendix II;

LOCAL FUND – FARE REVENDUES

For small urban and rural transit agencies, fare revenues are relatively small when compared to overall expenditures. However, they play a very important role in the overall funding and financing for public transportation systems. Since major state public transportation funds, LTF or STA funds require a minimum fare-
box recovery rate, they can affect the agency’s eligibility to meet the state/local match for most federal level grant programs. Therefore, most small transit agencies need to maintain, if not improve, their fare-box recovery rates.

Based on our survey of small urban and rural transit agencies, most (about 90%) met the 10% recovery rate requirement to qualify for LTF or STA funds. However, for the remaining ten percent, proactive action is required to find alternate funding solutions when applying for state and federal level funds. For example, they could try to raise local support money to meet the ratio or they could apply for exemptions if their services are mainly provided to individuals covered by the Americans with Disabilities Act (ADA) or other special categories.

**LOCAL FUND – LOCAL SALES TAX MEASURES**

In California, counties are authorized to adopt up to 1% sales tax increase for transportation programs, subject to voter approval. According to Caltrans, nineteen counties have approved sales tax measures for transportation and four transit authorities have approved permanent local tax measures in 2007.

Due to the maximum flexibility of funds provided at the local level, these funds might be more suitable for small transit agencies to target for lower cost APTS implementation and operations. These funds are suitable for both capital investment and operating costs, and can cover both fixed-route and demand-responsive transit services needs.

*For more information, please see: [http://www.leginfo.ca.gov/const/article_13B](http://www.leginfo.ca.gov/const/article_13B) for Article XIIIIB of the State Constitution, which provides the authority and requirements for the imposition of local sales tax measures subject to voter approval.*
EXHIBIT II: FUNDING APPLICATION PROCESS

Oftentimes, applying for public transportation funding is a complex and time-consuming process. It costs significant staff time, requires considerable effort and must be done by individuals having knowledge of the funding sources to be accessed. The following section will help small urban and rural transit providers navigate the funding application processes with a clear, but compact, “How to Apply” guide.

ENTITIES INVOLVED

Before looking at the detailed funding application process, it is helpful to understand all the entities that might be involved in the overall funding application process:

- **Federal Transit Administration (FTA)** – In most instances, small urban and rural transit agencies don’t need to have direct interaction with FTA. This is because most federal level grant programs that are suitable for small transit agencies are directly administrated by state level transportation agencies. In California, this function is provided by Caltrans.

- **California Transportation Commission (CTC)** – CTC consists of nine members appointed by the Governor, One of its primary responsibilities is to program and allocate funds for transit improvements throughout California.

- **Division of Mass Transportation (DMT)** at Caltrans – DMT’s primary responsibility is the administration of state and federal grant programs that provide funding for operating assistance and capital improvements. There are designated personnel in both Caltrans Headquarters and Caltrans District offices to help transit agencies find and apply for funding.

- **Metropolitan Planning Organizations (MPO) and Regional Transportation Planning Agencies (RTPA)** – are responsible for assisting transit agencies find and apply for funding and have increased knowledge of regional opportunities.

- **Local transit agencies** – are the applicants and receivers of funds based on their current and future needs of transit services.

- **California Association for Coordinated Transportation (CalACT)** – CalACT is a statewide, non-profit organization that represents the interests of small, rural, and specialized transportation providers in California. It is mainly funded using the federal grant program through the rural transit assistance program. Small urban and rural transit agencies should consider approaching CalACT for help and information on funding issues.

*For more information, please see:*
http://www.catc.ca.gov/mission.htm;
http://www.dot.ca.gov/hq/MassTrans/AboutUs.htm;
http://www.calact.org/.
Generally, local transit agencies play the most important role in the funding application process, because most funding requests are initiated at the local level. At the same time, help and support from other entities is very important in preparing a successful funding application. As the Caltrans’ transit funding handbook indicates, the funding request process includes:

- The city, county or local transit agencies submit the request through the Regional Transportation Planning Agencies (RTPA) or Metropolitan Planning Organizations (MPO).
- The RTPA/MPO then forwards the request to relevant Caltrans’ District Office.
- The District staff works closely with the RPTA/MPO and requesting agency to ensure the completeness and accuracy of the request.
- The request is then forwarded to Caltrans Headquarters for final review by Division of Mass Transportation staff. Different program offices review specific requests, so it would be in the requesting agencies’ best interest to clearly specify which assistance program(s) they are targeting.
- If additional information is needed, Caltrans Headquarters will inform the Caltrans District Office of the information needed. Caltrans District Office will then work with the RPTA/MPO and the requesting agency to provide the information needed.
- If the request is found to be complete, it will be forwarded to the CTC for inclusion on the Commission’s Agenda for approval.

It is important to note that the whole request/application process may take significant amount of time (i.e. a year or more). Local agencies should properly plan and prioritize their transit projects in advance, considering the time and effort needed for approval of their request. Furthermore, an agency must have an executed Master Agreement with Caltrans prior to requesting State funds for a transit project (please see Caltrans’ Transit Funding Handbook for more information).

For more information, please see:
APPENDIX I: FEDERAL LEVEL FUNDING SOURCES

A major way FTA helps communities support public transportation is by issuing funding grants to eligible recipients for planning, vehicle purchases, facility construction, operations, and other transportation related purposes. FTA currently administers this financial assistance using funds made available through SAFETEA-LU, a federal act that was signed into law in August 2005. Each year Congress provides an annual appropriation to fund the programs specified in SAFETEA-LU. Upon receiving this appropriation, FTA apportions and allocates these funds according to formulas and earmarks.

Generally, FTA funds are available only to designated recipients. These must be public bodies (i.e. states, cities, towns, regional governments, transit authorities, etc.) with the legal authority to receive and dispense federal funds. The recipients of these grants are responsible for managing their projects in accordance with federal requirements. FTA conducts oversight reviews to ensure that these requirements are met.

A list of major grant programs sponsored by the FTA is included with this document. Each grant program is referred to by name and by a number that correlates to the section number of Title 49 of the United States Code. In addition, FTA offers the on-line Transportation Electronic Award Management (TEAM) system for application and management of grants.

5 On August 10, 2005, President Bush signed the SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS (SAFETEA-LU), providing $286.4 billion in guaranteed funding for federal surface transportation programs over five years through FY 2009, including $52.6 billion for federal transit programs – a 46% increase over transit funding guaranteed in TEA-21.
6 http://www.fta.dot.gov/funding/grants_financing_7205.html
Federal Level Public Transportation Grant Programs and their Potential Usages on EDAPTS Deployment

<table>
<thead>
<tr>
<th>SECTION NUMBER</th>
<th>PROGRAM NAME</th>
<th>DESCRIPTION</th>
<th>DOLLAR AMOUNT</th>
<th>ALLOCATION AND MATCHING MECHANISM</th>
<th>APPROPRIATE FOR EDAPTS?</th>
</tr>
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<tbody>
<tr>
<td>5303, 5304, 5305</td>
<td>Metropolitan &amp; Statewide Planning</td>
<td>Support cooperative, continuous, and comprehensive planning for making transportation investment decisions in metropolitan areas and statewide.</td>
<td>-- US FY08 (est.) $107M&lt;sup&gt;9&lt;/sup&gt;</td>
<td>-- Formula -- Metropolitan planning organizations (MPO) and state departments of transportation are eligible recipients -- The federal share is 80 percent and the local share is 20 percent</td>
<td>These are not actually and practically available to small and rural transit. However, EDAPTS may possibly be introduced in the metropolitan or statewide transportation planning process.</td>
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<td>5307</td>
<td>Large Urban Cities</td>
<td>Available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas 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.</td>
<td>-- US FY08 (est.) $3,872M</td>
<td>-- Formula -- Division of Mass Transportation (DMT) is designated recipient responsibilities for small urbanized areas (UZAs&lt;sup&gt;10&lt;/sup&gt; pop. under 200,000); otherwise MPO</td>
<td>This is not actually and practically available to small and rural transit. However, EDAPTS may possibly apply this program for capital investment of 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, if with a population of 50,000 or more&lt;sup&gt;11&lt;/sup&gt;.</td>
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<sup>8</sup> 5303 – Metropolitan Planning; 5304 – Statewide Planning; 5305 – Planning Programs.

<sup>9</sup> http://www.fta.dot.gov/index_6538.html

<sup>10</sup> UZA – Urbanized Area

<sup>11</sup> Note: All preventive maintenance and some Americans with Disabilities Act complementary paratransit service are considered capital costs.
# Federal Level Public Transportation Grant Programs and their Potential Usages on EDAPTS Deployment

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<tr>
<td>5309, 5318</td>
<td>Bus and Bus Facilities</td>
<td>The Bus and Bus-Related Facilities program provides capital assistance for new and replacement buses and related equipment and facilities.</td>
<td>-- US FY08 (est.) $928M</td>
<td>The Secretary has the discretion to allocate funds, although Congress fully earmarks all available funding.</td>
<td>YES. Purchase buses for fleet and service expansion, acquisition of replacement vehicles, bus rebuilds, bus preventive maintenance, passenger amenities (shelters and signs), equipment (mobile radio units, supervisory vehicles, fare boxes, computers).</td>
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<tr>
<td>5310</td>
<td>Transportation for Elderly Persons and Persons with Disabilities</td>
<td>Provide formula funding to States for the purpose of assisting private nonprofit groups in meeting the transportation needs of the elderly and persons with disabilities when the transportation service provided is unavailable, insufficient, or inappropriate to meeting these needs.</td>
<td>-- US FY08 (est.) $127M -- California FY08 (est.) $12.11</td>
<td>-- Formula -- receive up to 88.53% in federal funds and must provide at least 11.47% in local match</td>
<td>YES (given the following conditions). The EDAPTS system can possibly improve the service of Demand Responsive Transit.</td>
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</table>
| 5311           | Rural and Small Urban Areas | Provides formula funding to states for the purpose of supporting public transportation in population areas of **less than 50,000**. Funds may be used for capital, operating, and administrative purposes. | -- US FY08 (est.) $438M | -- Formula  
-- 75% Regional Apportionment (distributed to non-urban areas based on population through Transportation Planning Agencies (TPA), deadline - December 31st of each year)  
-- 15% Intercity Bus Program (apportioned to the Intercity Bus Program (FTA 5311(f))).  
-- 10% State Administrative Expenses (distributed to administer both the 5311 & 5311(f) grant funding programs) | YES. EDAPTS can 1) enhance the access of people in non-urbanized areas to health care, shopping, education, employment, public services, and recreation; 2) assist in the maintenance, development, improvement, and use of public transportation systems in rural and small urban areas. |
| 5311(b)        | Rural Transit Assistance Program | The Rural Transit Assistance Program (49 U.S.C. 5311(b)) assists in the design and implementation of training and technical assistance projects and other support services tailored to meet the needs of transit operators in non-urbanized areas. | -- 2% of 5311 | -- Administrative formula  
-- DMT administers the California State RTAP program through a contract currently with the California Association for Coordinated Transportation (CalACT), a private non-profit association of transit providers serving the needs of the non-urbanized areas of California. | YES (given the following conditions). In non-urbanized areas, EDAPTS may get training, technical assistance, and research and related support activities through CalACT. |
| 5311(c)        | Public Transportation on Indian Reservations | Provide public transportation on Indian reservations through a set aside of Other-Than-Urbanized Area Program funds for direct grants to Indian Tribes. | -- US FY08 (est.) $12M | NA | YES, if EDAPTS concepts are implemented for the benefit of Indian tribes. |

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15 These two are not consistence within the FTA website.  
### Federal Level Public Transportation Grant Programs and their Potential Usages on EDAPTS Deployment

<table>
<thead>
<tr>
<th>SECTION NUMBER</th>
<th>PROGRAM NAME</th>
</tr>
</thead>
<tbody>
<tr>
<td>5311(f)</td>
<td>Non-Urbanized Area Intercity Bus Program</td>
</tr>
<tr>
<td>5314</td>
<td>National Research &amp; Technology Program</td>
</tr>
<tr>
<td>5316</td>
<td>Job Access and Reverse Commute Program</td>
</tr>
</tbody>
</table>

#### 5311(f)
- **Non-Urbanized Area Intercity Bus Program**
  - Promotes intercity transit in the non-urbanized areas of the state
  - **DOLLAR AMOUNT**: California FY08 (est.) $2.9M
  - **ALLOCATION AND MATCHING MECHANISM**: NA
  - **APPROPRIATE FOR EDAPTS?**: YES (given the following conditions). The EDAPTS system can possibly be deployed for intercity transit.

#### 5314
- **National Research & Technology Program**
  - The National Research and Technology Program (49 U.S.C. 5314(b)) responds to industry needs by supporting increased transit ridership, security readiness, and effective planning and oversight of major capital investments.
  - **DOLLAR AMOUNT**: US FY04 $31.5M
  - **ALLOCATION AND MATCHING MECHANISM**: NA
  - **APPROPRIATE FOR EDAPTS?**: YES (given the following conditions). EDAPTS can possibly promote development of innovative transit technologies, safety and security research and technical assistance, fundamental data collection and analysis of transit industry performance, policy studies, transportation planning techniques, customer service quality, etc.

#### 5316
- **Job Access and Reverse Commute Program**
  - JARC was established as part of TEA–21 to address the unique transportation challenges faced by welfare recipients and low-income persons seeking to get and keep jobs.
  - **DOLLAR AMOUNT**: US FY08 (est.) $156M
  - **ALLOCATION AND MATCHING MECHANISM**: Formula
  - **APPROPRIATE FOR EDAPTS?**: Yes. The EDAPTS system can be used to help low-income people gain access to jobs.

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17 5307 entities for larger urban areas, regionally; State DOT in small urban and non-urbanized areas, statewide, according to [http://www.dot.ca.gov/hq/MassTrans/5316.html](http://www.dot.ca.gov/hq/MassTrans/5316.html)
### Federal Level Public Transportation Grant Programs and their Potential Usages on EDAPTS Deployment

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<td>5317</td>
<td>New Freedom Program</td>
<td>New Freedom Program is a new program authorized in SAFETEA-LU to support NEW public transportation services and alternatives beyond those required by the Americans with Disabilities Act (ADA) of 1990 (42 U.S.C. 12101 et. seq.).</td>
<td>-- US FY08 (est.) $87.5M</td>
<td>requirements are 20 percent for capital projects and 50 percent for operations projects.</td>
<td>YES. A new EDAPTS system can improve the service for individuals with disabilities.</td>
</tr>
<tr>
<td>5320</td>
<td>Alternative Transportation in Parks and Public Lands</td>
<td>The program funds capital and planning expenses for alternative transportation systems such as shuttle buses and bicycle trails in national parks and public lands.</td>
<td>-- US FY08 (est.) $25M</td>
<td>NA</td>
<td>YES (given the following conditions). EDAPTS can be possibly deployed in national parks and public lands.</td>
</tr>
<tr>
<td>TEA-21 5505</td>
<td>University Transportation Centers Program</td>
<td>Grants for university transportation research (49 U.S.C. 5505) are awarded to non-profit institutions of higher learning by the Research and Special Programs Administration (RSPA) using funds appropriated to FTA. This program focuses on the transfer of knowledge relevant to national, state, and local issues, and builds professional capacity of the transportation workforce.</td>
<td>-- US FY04 $6M 18</td>
<td>The Federal share is 50 percent.</td>
<td>YES (given the following conditions). EDAPTS might be qualified for this if universities/researchers can develop a standardized “EDAPTS Deployment Training” course for general or specific training of EDAPTS.</td>
</tr>
</tbody>
</table>

18 [http://www.fta.dot.gov/funding/grants/grants_financing_3547.html#funding](http://www.fta.dot.gov/funding/grants/grants_financing_3547.html#funding)
### Flexible Funding for Highway and Transit

<table>
<thead>
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</tr>
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<tr>
<td>7</td>
<td>Flexible Funding for Highway and Transit</td>
<td>Flexible funds include Federal Highway Administration (FHWA) Surface Transportation Program (STP) funds, Congestion Mitigation and Air Quality Improvement Program (CMAQ), and Federal Transit Administration (FTA) Urban Formula Funds. When FHWA funds are transferred to FTA they are transferred to one of the following three programs: -- Urbanized Area Formula Program (5307); -- Nonurbanized Area Formula Program (Section 5311 program); -- Elderly and Persons with Disabilities Program (Section 5310 program).</td>
<td>NA</td>
<td>Formula</td>
<td>Yes. The program funds can be used for a variety of transit improvements, which EDAPTS can achieve. In detail, EDAPTS can use the funds to purchase buses, install advanced technology fare collection systems, and increase ridership (to reduce congestion).</td>
</tr>
</tbody>
</table>
APPENDIX II: STATE AND LOCAL LEVEL FUNDING SOURCES

STATE AND LOCAL LEVEL TRANSIT FUNDS IN GENERAL

In addition to federal funds and fare revenues, state and local funds are used to support capital investment and operational assistance in public transportation. In some cases, state and local funds are mandatory prerequisites for utilizing federal level transit funds. This occurs when there is a grant requirement for a minimum contribution share from state or local funds.

Generally, taxes and fees are the chief sources of state and local transit funds. For example, Vuchic\(^\text{19}\), in his book “Urban Transit Operations, Planning, and Economics”, has listed three categories of taxes and charges that can be dedicated for transit use:

- Transportation user taxes and charges: e.g., fuel and motor vehicle taxes, parking tax, tools and area entry fees;
- Economic benefit-related taxes and charges: e.g., employer payroll or occupational tax, real estate value increment tax;
- Broad-based taxes: e.g., retail sales tax; personal income tax; property (ad valorem) tax;
- Other sources: e.g., excise taxes, etc.

In reality, different cities, counties, states, and transportation districts may have differing combinations of taxes and fees to fund transit services. According to the 2005 Survey of State Funding for Public Transportation\(^\text{20}\), among all 50 states and the District of Columbia (DC),

- The most utilized sources for transit funding were the general fund (used by 19 states), gas taxes (used by 15 states), motor vehicle/rental car sales taxes (used by 9 states), bond proceeds (used by 8 states), registration/license/title fees (used by 8 states), and general sales tax (used by 7 states).
- Twenty-seven states reported that they used other sources for funding such as state highway funds, trust funds, miscellaneous revenues, fees, taxes, lottery funds, tolls, or other types of assessments. Eight of these 27 states relied solely (100% of transit dollars) on these miscellaneous revenue sources.
- However, four reported no state funding for transit was available.

State and local transit funds can typically be used for capital investments, operating assistance, a combination of the two, or other aspects. The 2005 Survey of State Funding for Public Transportation\(^\text{21}\) also showed us that, of those programs (47) providing state transit funding:

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\(^{19}\) Urban Transit Operations, Planning, and Economics – Vukan R. Vuchic – Page 413 – Sources of local and state funds for transit

\(^{20}\) Department of Transportation (DOT) and Bureau of Transportation Statistics (BTS). Survey of State Funding for Public Transportation. 2005.

\(^{21}\) Department of Transportation (DOT) and Bureau of Transportation Statistics (BTS). Survey of State Funding for Public Transportation. 2005.
66% reported a specific funding allocation for capital expenditures;
64% reported a specific funding allocation for operating expenditures;
60% reported funding amounts that could be used for either capital or operating expenditures;
30% reported funding for planning, training, studies, or other miscellaneous activities.

STATE LEVEL TRANSIT FUNDS IN CALIFORNIA

California Transportation Commission (CTC) and California Department of Transportation (Caltrans)' Division of Mass Transportation (DMT) are the two major governmental offices administrating and allocating state level transit funds in California. To be more specific, CTC consists of nine members appointed by the Governor, and one of its responsibilities is to program and allocate funds for transit improvements throughout California22. The primary responsibility of DMT is the administration of State and Federal Grant Programs that provide funding for operating assistance and capital improvement of public transportation projects23.

However, local transit agencies also play an important role in the transit funds application process, because a typical funding request will be initiated at the local level. As the Caltrans’ transit funding handbook listed, the general funding request process includes24:

- The city, county or transit agencies submit the request through the Regional Transportation Planning Agencies (RTPA) or Metropolitan Planning Organizations (MPO).
- The RTPA/MPO then forwards the request to associated Caltrans’ District offices.
- The District staff works closely with the RPTA/MPO and requestor to ensure the completeness and accuracy of the request.
- The request is then forwarded to Caltrans Headquarters for final review. Different program offices will only review the corresponding requests, so it would be local agencies’ responsibility to specify which program(s) they are targeting for.
- If additional information is needed, Caltrans Headquarters will inform Caltrans District office in a timely manner.
- If the request is found to be complete, it will be forwarded to the CTC for inclusion on the Commission’s Agenda for approval.

It is important to note that the whole request/application process may take significant amount of time (i.e. one year or more). Local agencies should properly plan and prioritize their transit projects in advance, considering the time and effort needed for approval of their request. Furthermore, an agency must have an

22 http://www.catc.ca.gov/mission.htm
23 http://www.dot.ca.gov/hq/MassTrans/AboutUs.htm
executed Master Agreement with Caltrans prior to requesting State funds for a transit project (please see Caltrans’ Transit Funding Handbook for more information)\textsuperscript{25}.

According to several literature resources (e.g., web resources\textsuperscript{26}, transit funding handbook, Caltrans reports) there is neither a clear nor conclusive answer on which state transit funding programs to use for transit improvement and, in particular, for EDAPTS compliant systems. Therefore, here we list all state funding programs that could be possibly used for transit improvement, as well as their suitability for EDAPTS, based on our best knowledge.

\textsuperscript{25} Caltrans. The Transit Funding Handbook. 2001.
\textsuperscript{26} http://www.dot.ca.gov/hq/MassTrans/ & http://www.catc.ca.gov/programs/
State Level Public Transportation Funds and their Potential Usages on EDAPTS Deployment

<table>
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<tr>
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<td>Transportation Development Act (TDA) 27 – general</td>
<td>-- The Transportation Development Act (TDA) was enacted in 1971 by the California legislatures to improve existing public transportation services and encourage regional transportation coordination.</td>
<td>-- California FY03 $1.3 billion 28</td>
<td>NA</td>
<td>YES. But in order to qualify for funding under TDA (from either the LTF or STA fund), a transit claimant must maintain a ratio of fare revenues to operating cost at least equal to the ratio it had during 1978/79, or 20 percent if the claimant is in an urbanized area, or 10 percent if the claimant is in a non-urbanized area, whichever is greater. EDAPTS can use TDA funds for planning, capital investment, and operating assistance purpose.</td>
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| **TDA – Local Transportation Fund (LTF)** | -- Local Transportation Fund (LTF) is derived from a ¼ percent of the general sales tax collected statewide.  
-- According to the 2005 Survey of State Funding for Public Transportation, LTF has been the primary source of state transit funds in California. | -- ¼ cent of the general sales tax  
-- California FY03 $1.2B | Based on sales tax collected in each county, the State Board of Equalization returns the general sales tax revenues to each county’s LTF. **As a result, LTF is often characterized as “local” rather than state funds.** | YES. See the row of Transportation Development Act for more detail. |
| **TDA – State Transit Assistance fund (STA)** | -- State Transit Assistance fund (STA) is derived from the statewide sales tax on gasoline and diesel fuel.  
-- Sometime it is also known as Public Transportation Account (PTA). | -- California FY08 (est.) $225M\(^{29}\) | 50% of STA funds are allocated according to population and 50% are allocated according to operator revenues from the prior fiscal year. | YES. See the row of Transportation Development Act for more detail. |
| **State Transportation Improvement Program (STIP)\(^{30}\)** | -- The STIP is a multi-year capital improvement program of transportation projects on and off the State Highway System, funded with revenues from the State Highway Account and other funding sources. | -- California FY08 (est.) $75M (public transportation purpose) | CTC will review transit agencies’ application, and then approve if qualified.  
Local government/transit agencies must have the Master Agreement to receive/reimburse project related money. | YES. EDAPTS can use STIP funds for capital investment, and operating assistance purposes. But the local agencies need to work closely with their RTPA/MPO and Caltrans District in order to file the application to CTC beforehand. |

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\(^{30}\) [http://www.dot.ca.gov/hq/transprog/ocip/ocip_org.htm](http://www.dot.ca.gov/hq/transprog/ocip/ocip_org.htm)
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| Traffic Congestion Relief Program (TCRP) \(^{31}\)        | -- TCRP provides funding for transportation projects that would relieve congestion, connect transportation systems, and provide for better goods movement.  
-- Regional agencies, in association with the California Department of Transportation and the California Transportation Commission, developed a listing of candidate projects to be considered by the legislature. | -- California FY07 $4.9M \(^{32}\) | CTC will review transit agencies’ application, and then approve if qualified.  
Local government/transit agencies must have the Master Agreement to receive/reimburse project related money. | YES. EDAPTS can use TCRP funds for capital investment, and operating assistance purpose, since it can reduce the traffic congestion by promoting transit ridership. But the local agencies need to work closely with their RTPA/MPO and Caltrans District for filing the application to CTC beforehand. |
| Proposition 1B - Transportation Bond Program (Prop 1B) \(^{33}\) | -- The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, provides funding for specified purposes, including various transportation related purposes. | -- California $19.925 billion (for 10 years) | NA                                                                                             | YES. See the following rows for more detail. |

33 [http://dot.ca.gov/hq/transprog/ibond.htm](http://dot.ca.gov/hq/transprog/ibond.htm)
## State Level Public Transportation Funds and their Potential Usages on EDAPTS Deployment

<table>
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| Prop 1B – STIP Augmentation / Transportation Facilities Account (TFA)<sup>34</sup> | -- Prop 1B authorized $2 billion in general obligation bond proceeds to be available for projects in the State Transportation Improvement Program (STIP) to augment funds otherwise available for the STIP from other sources.  
-- Under the Bond Act, the funds shall be deposited in the newly created Transportation Facilities Account (TFA) and shall be available, upon appropriation by the Legislature, in the same manner as other STIP funds. | -- California $2 billion (for 10 years) | See the row of STIP for more detail. | YES.  
See the row of STIP for more detail. |

<sup>34</sup> [http://www.dot.ca.gov/hq/transprog/ocip/ocip_org.htm](http://www.dot.ca.gov/hq/transprog/ocip/ocip_org.htm)
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<td>Prop 1B – Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)(^{35})</td>
<td>-- Authorized by Prop 1B, PTMISEA is a new program comprised of $3.6 billion dollars available to transit operators over a ten-year period. -- Funds are to be used for Public Transportation Modernization, Improvement and Service Enhancements that can include upgrading transit fleets or expanding service to increase ridership and therefore reduce emissions and energy use by reducing the number of single occupancy trips.</td>
<td>-- California $3.6 billion (for 10 years)</td>
<td>The $3.6 billion is to be distributed by formula, based on population and fare-box revenue, to transit operators for capital projects.</td>
<td>YES. EDAPTS can use PTMISEA funds for capital investment(^{36}), such as equipment purchase, bus fleet expansion.</td>
</tr>
</tbody>
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\(^{35}\)[http://www.dot.ca.gov/hq/MassTrans/Proposition-1B.html]

\(^{36}\)Note: Eligible project of PTMISEA funds should be capital project (or a minimum operable segment of a project) only.
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<td>Prop 1B – Local Street and Road, Congestion Relief, and Traffic Safety Account of 2006</td>
<td>Funds shall be used for improvements to transportation facilities that will assist in reducing local traffic congestion and further deterioration, improving traffic flows, or increasing traffic safety that may include, but not be limited to, street and highway pavement maintenance, rehabilitation, installation, construction and reconstruction of necessary associated facilities such as drainage and traffic control devices, or the maintenance, rehabilitation, installation, construction and reconstruction of facilities that expand rider ship on transit systems, safety projects to reduce fatalities, or as a local match to obtain state or federal transportation funds for similar purposes.</td>
<td>$2 billion (for 10 years)</td>
<td>Funds will be allocated, upon appropriation by the Legislature, by formula as specified in Proposition 1B (50% to counties and 50% to cities): 75% of funds apportioned to counties are based on the number of vehicles registered in the county relative to all counties in the State, and 25% are based on number of county maintained road miles relative to all county maintained road miles in the State; Funds apportioned to cities are based on total population of the city in relation to all cities in the State (minimum $400,000 to each city).</td>
<td>YES. EDAPTS can help reduce traffic congestion, potentially expand ridership on transit systems, etc.</td>
</tr>
</tbody>
</table>

38 [http://www.dot.ca.gov/hq/transprog/ibond/Prop_1B_Text.pdf](http://www.dot.ca.gov/hq/transprog/ibond/Prop_1B_Text.pdf)
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<td>Proposition 91 – Transportation Funding (Initiative Constitutional Amendment and Statute)</td>
<td>-- Authorized by Proposition 91 (or currently Proposition 1A), the state intends to ensure those imposed various taxes and fees on motor vehicle fuels and the operation of motor vehicles to be used for supporting transportation program. -- It covers several programs, such as Article XIX Revenues – Fuel Taxes and Motor Vehicle Fees, Sales Tax on Gasoline and Diesel. The later contains two sub-programs: Public Transportation Account (PTA) and Transportation Investment Fund (TIF).</td>
<td>NA</td>
<td>NA</td>
<td>YES. EDAPTS may possibly get financial support from the PTA funds.</td>
</tr>
</tbody>
</table>

**LOCAL LEVEL TRANSIT FUNDS IN CALIFORNIA**

Fare revenues play a very important role in the overall funding and financing of public transportation systems, although, for small urban and rural transit agencies, fare revenues are relatively small when compared to overall expenditures. Second, from local sales tax revenues (see previous section for more details on possible taxes and fees), each local government could allocate substantial funding for transportation improvement, especially for public transportation. As mentioned in above Table, one of the major revenues for local government is the Local Transportation Fund (LTF), which is generated from statewide ½ percent sales tax and designated only for transportation purpose. Furthermore, local governments have the option of levying an additional local sales tax, upon approval by two-thirds of the voters, for local transportation uses. According to the Legislative Analyst’s Office (LAO) statistic, there are 19 counties in California who currently impose a local optional sales tax for transportation.

Local level transit funds generally have fewer restrictions in terms of the detailed usage, which means most of local transit funds should be eligible for EDAPTS purpose. However, local transit agencies should work closely with associated RTPA/MPO and Caltrans District for the available local transit funds, and the appropriate application process of local transit funds.

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