

## Chapter 3 - Funding Programs

Financial support for the planning and delivery of public transit services comes from many sources. This chapter will focus primarily on state and federal funding programs available either through the Public Transit Team (PTT) or directly through the Federal Transit Administration (FTA). A more general discussion is provided concerning other federal programs that may be available to support public transit agencies in addressing human service transportation needs, as well as possible sources of local funding for public transit services. The primary federal and state programs supporting transit and transit planning are as follows:

### Federal Transit Assistance Programs

- Metropolitan Transportation Planning program (Section 5303)
- Statewide and Nonmetropolitan Transportation Planning program (Section 5304)
- Urbanized Area Formula Grant program (Section 5307)
- Enhanced Mobility of Seniors and Individuals with Disabilities program (Section 5310)
- Formula Grants for Rural Areas program (Section 5311)
- Rural Transit Assistance Program (RTAP) (Section 5311(b)(3))
- Intercity Bus Assistance program (Section 5311(f))
- Buses and Bus Facilities Grants program (Section 5339)

### Federal Flexible Funds Available to Transit

- Surface Transportation Block Grant (STBG) Program
- Congestion Mitigation and Air Quality (CMAQ) Program
  - Iowa's Clean Air Attainment Program (ICAAP)
- Diesel Emission Reduction Act (DERA) Grant Program
- Volkswagen Settlement Grant
- Community Development Block Grant (CDBG) Career Link Program – Employment Transportation

### State Transit Assistance (STA) Programs

- STA Formula Program
- STA Fellowship Program
- STA Special Projects
- Public Transit Infrastructure Grant Program
- Capital Match Loan Program (AMOCO Loans)

**Types of Assistance** - Before discussing the individual programs, it is important to understand the basic types of financial assistance that may be available. These include assistance with the costs of: 1) operations, 2) capital improvements, 3) transit planning, and 4) training assistance.

**Operating Assistance** - Operating assistance may be used to support the general operation and administration of the transit system in areas serving populations under 200,000. Generally, federal operating assistance is limited to 50% of a transit system's operating deficit (total operating cost minus, at minimum, passenger revenues). Under certain circumstances, public transit systems in urbanized areas with populations over 200,000 may be eligible for operating assistance depending on the number of vehicles operated on fixed routes during peak service hours. State transit formula funds can be used for support of transit operating costs, potentially to the full extent of the deficit, though lack of local contribution would lead to reduced state funding in future years. Operating costs commonly include, but are not limited to, the following:

- Accounting, billing, recordkeeping
- Administration of daily activities
- Advertising
- Dispatching

- Drug and alcohol testing
- Fuel
- Maintenance
- Marketing
- Office supplies
- Rental
- Supervision
- Training
- Telephone
- Vehicle Insurance
- Wages and benefits

**Capital Assistance** – Capital assistance may help to support the cost of transit capital improvements such as purchase of rolling stock, accessory equipment and parts, as well as office or maintenance equipment, plus construction or purchase of facilities. Federal funding used for transit capital purchases or improvements is generally based on an 80% federal, 20% non-federal participation rate. This means that the federal funds may pay up to 80% of eligible project costs, while 20% of the cost must be from nonfederal funds. ADA retrofit projects, clean air retrofit projects, and certain bicycle accommodation projects can be funded at a 90% federal, 10% non-federal ratio. FTA has allowed revenue vehicles with required ADA and clean air equipment to be purchased at a blended participation rate of 85% federal, 15% non-federal.

Eligible capital expenses include equipment that has a useful life of more than one year. Any equipment or accessory purchased with federal or state capital funds is considered capital. Purchases of equipment that cost more than \$5,000 are always considered capital regardless of the funding source. The cost of leasing equipment may be treated as a capital expense provided the lease period is at least one year and it is determined that leasing is cost effective compared to purchase.

All types of transit facilities and improvements to those facilities are eligible capital expenses for 5339, 5307, and 5311 funds. Section 5310 limits facility eligibility. [Exhibit 1](#) shows examples of eligible capital expenditures. For a list of examples of capital projects that can be funded at 90% federal participation see [Exhibit 2](#).

**Planning Assistance** – Planning assistance may be used to support transit planning activities as well as more general intermodal transportation planning activities, whether conducted by planning agencies or by transit system personnel. Although Congress has established dedicated sources of funding for planning, the costs of planning activities are also eligible under most other federal transit programs. The federal participation ratio for planning assistance is normally 80% federal, 20% non-federal.

**Training Assistance** – Federal training funds are available for regional and small urban systems through the Rural Transit Assistance Program (RTAP). A similar program providing training funds for urban transit systems is available from state transit assistance funds in the fellowship program. See [Chapter 12](#) for additional information.

### **Federal Programs**

Federal transit funding programs are authorized through the Fixing America's Surface Transportation (FAST) Act, which went into effect December 4, 2015, authorizing programs through September 30, 2020. Most federal transit programs are funded from the Mass Transit Account of the Highway Trust Fund, based on transit's share of the federal motor vehicle fuel taxes. The funds are administered at the federal level by the Federal Transit Administration (FTA).

Since the early 1990s, the transit programs have been codified, or incorporated into the US Code. The transit programs are found in Title 49, Part 53. Section references refer to the portion of the US Code that establishes each program.

As described in Chapter 1 of this Handbook, the Iowa DOT is a recipient of federal funds under several of the programs and administers the project funds to multiple subrecipients. In other cases, transit systems, or others, may be a direct recipient for the federal transit funding.

**Section 5305d Metropolitan Transportation Planning** - This is a FTA program to support planning activities in metropolitan areas on an 80% federal, 20% non-federal basis. By law, the state is the direct recipient of the funding. In Iowa, these funds are administered by the Iowa DOT's Systems Planning Bureau and are distributed annually to each of the state's nine Metropolitan Planning Organizations (MPOs) through the following formula. One-third is distributed equally among all MPOs; one-third is distributed based on each MPO's share of the total statewide urbanized area population from the most recent decennial census; and one-third is distributed based on each MPO's share of the total statewide urbanized area population from the prior decennial census. The 5305d funds are administered jointly with Metropolitan Planning "PL" funds available through the Federal Highway Administration as part of a Consolidated Planning Grant. The 5305d and PL funds can support any MPO costs related to intermodal transportation planning activities for the urbanized area. [Chapter 4](#) contains more information on planning activities.

**Section 5305e Statewide and Nonmetropolitan Transportation Planning** - These funds are intended to support transit planning in addition to what is conducted by the individual MPOs. By law, the state is the direct recipient of the funding. Iowa uses these funds, along with 5311 funds set aside specifically for planning, to support a system of Regional Planning Affiliations (RPAs). The RPAs are responsible for local intermodal transportation planning in areas of the state not included in a Metropolitan Planning Organization. Iowa DOT's Systems Planning Bureau serves as the direct recipient of these funds. The combined 5305e and 5311 planning funds are distributed annually to each of the state's 18 RPAs through the following formula. One-half is distributed equally among all RPAs; one-quarter is distributed based on each RPA's share of the total statewide non-urbanized population from the most recent decennial census; and one-quarter is distributed based on the ratio of the number of counties in each RPA out of 99 total counties. The Systems Planning Bureau also distributes Statewide Planning and Research (SPR) funds from the Federal Highway Administration to the RPAs, for the same purpose and via the same formula. The 5305e and/or 5311 planning funds and SPR funds are administered jointly with any Surface Transportation Program (STBG) funds programmed for planning support by the RPAs. These funds jointly support regional intermodal planning on an 80% federal, 20% non-federal basis.

**Section 5307 Urbanized Area Formula Grants** - This is a federal program for support of urban transit systems serving communities with more than 50,000 population.

In all urbanized areas, eligible activities for 5307 funds include planning, engineering design and evaluation of transit projects and other technical transportation-related studies; capital investments in bus and bus-related activities such as replacement of buses, overhaul and rebuilding of buses; crime prevention and security equipment; construction of maintenance and passenger facilities; and 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. All preventive maintenance and some Americans with Disabilities Act complementary paratransit service costs are considered capital costs. In general, funding is provided on an 80% federal, 20% non-federal basis for capital projects funding under the 5307 program. Purchase and installation of special equipment or features required by the Americans with Disabilities Act or the Clean Air Act Amendments, and certain bicycle accommodation projects are eligible for 90% federal assistance. FTA has allowed revenue vehicles with required ADA and clean air equipment to be purchased at a blended participation rate of 85% federal, 15% non-federal.

For urbanized areas with populations less than 200,000, operating assistance is an eligible expense. In areas over 200,000 in population, operating assistance is an eligible expense in certain situations.

Transit systems may use up to 20% of their total 5307 funds to pay for ADA paratransit costs, if certain conditions are met, on an 80% federal, 20% non-federal basis. See [FTA Circular 9030.1E](#) for specifics.

Areas with populations over 200,000 receive their own 5307 allocation directly from FTA. The allocations are based on a combination of bus revenue vehicle miles, bus passenger miles, fixed guideway revenue vehicle miles, and fixed guideway route miles as well as population and population density. Four Iowa transit systems are funded under this program: Des Moines receives its own allocation, Davenport and Bettendorf both receive a portion of funds allocated to the Quad Cities area, and Council Bluffs receives benefit of a portion of the funds allocated to the Omaha-Council Bluffs area. Within each of these larger urbanized areas, transit systems are no longer required to set aside 1% of the 5307 funds for transit enhancement activities but do have to submit an annual report listing projects that were carried out during the previous fiscal year. Each recipient of these funds must also expend at least 1% on public transportation security projects or certify that this is not necessary. Within each area, the MPO is responsible for programming the funds as part of the Transportation Improvement Program.

Each state receives a single allocation of 5307 funds for use in the smaller urbanized areas (with population from 50,000-200,000). For these 'Governor's Apportionment' areas, funding is apportioned to the state on the basis of population and population density. There is also a "small transit intensive cities" tier that provides additional funding if any of the small urbanized areas in the state exceed the average performance of the larger communities across the nation on one or more of six specified performance measures. The state distributes these funds using this same formula. Ames, University of Iowa's Cambus, Cedar Rapids, Coralville, Dubuque, Iowa City, Sioux City, and Waterloo all receive funding from the Iowa Governor's Apportionment. (Sioux City also receives funding from the Nebraska and South Dakota Governor's Apportionments.) In addition to capital and planning uses, funding for these smaller urbanized areas can also be used to support operating deficit. Funds for operating support must be matched by non-federal funds (other than passenger revenues) on a dollar-for-dollar basis.

The Iowa DOT determines the allocation of the 5307 Governor's Apportionment funds after the federal appropriation process is completed. At present, Iowa DOT is using the information that FTA publishes in the Federal Register regarding the amount of the total Governor's Apportionment attributable to statistics from each urbanized area as a guide in determining the suballocations. All transit systems in this category, except those in the Ames and Iowa City areas, depend on this allocation to support transit activities in the current fiscal year.

**[Section 5310](#) Formula Grants for the Enhanced Mobility of Seniors and Individuals with Disabilities** – This is a federal program for support of transit services serving elderly and persons with disabilities. These funds are allocated to Iowa on the basis of the number of older adults and individuals with disabilities and allocated by area: Large Urbanized Area (60%), Small Urbanized Area (20%), and Rural (20%). By law, the state is the direct recipient of the funding for areas under 200,000 population. Urbanized areas over 200,000 in population receive a direct allocation. Public agencies responsible for coordinating human service transportation are eligible, as are private not-for-profit agencies. Because Iowa requires the designated public transit systems to coordinate all publicly-funded passenger transportation services, Iowa distributes these funds to the public transit agencies. At least 55% of program funds must be used on capital or 'traditional' 5310 projects (buses, vans, wheelchair lifts, ramps, etc.) and 45% is for non-traditional projects once eligible under the New Freedom program (projects that go 'beyond the ADA,' travel training, etc.) Mobility management is eligible under either the traditional or non-traditional funding. The cost of contracted operations, equipment and passenger or vehicle shelters are funded on an 80% federal, and 20% non-federal basis. Purchase of vehicles equipped for access by persons with disabilities can be funded at 85% federal participation. Facilities other than passenger or vehicle shelters are not eligible. Operating assistance is funded at 50% federal share. Match can come from other Federal (non-US DOT) funds.

Section 5310 funds administered by the PTT are distributed based a formula that factors in ridership and revenue miles. To simplify administration, the 5310 funds going to rural systems are only distributed to transit systems that purchase contracted transportation services. All projects using 5310 funding must

derive from the Passenger Transportation Plan (PTP) prepared by the respective metropolitan or regional planning agency through their joint public transit/human service transportation planning process (see [Chapter 4](#)). All services supported with 5310 funding must be operated open to the general public. (Complementary ADA paratransit meets this requirement, as long as it matches up with an urban transit system's fixed-route hours and service area.)

Federal guidance on the 5310 program is found in [FTA Circular 9070.1G](#).

**Section 5311 Formula Grants for Rural Areas** – This federal program supports transit activities in rural areas and communities with populations less than 50,000. These funds are allocated to Iowa: 83.15% based on land area and population in rural areas, 16.85% based on land area, revenue vehicle miles, and low-income individuals in rural areas. By law, the state is the direct recipient of the funding. Iowa DOT serves as the direct recipient of the funds, through both the Public Transit Team (PTT) and the Systems Planning Bureau. The PTT administers the bulk of the 5311 funding that is provided to small urban and regional transit systems, as well as the 15% of the annual apportionment, that in conformance with federal law, is utilized to support intercity bus services, described later in this chapter. The Systems Planning Bureau administers that portion of the 5311 funds that are combined with the 5305 funding to support rural transit and intermodal planning activities described in [Chapter 4](#). The amount used for planning is determined on an annual basis between the Public Transit and Systems Planning Bureaus. In recent years, that amount has been \$350,000 annually.

The portion of the 5311 funds used for support of public transit services in Iowa is administered in conjunction with the non-urbanized area (less than 50,000 in population) allocation of the 5310 funding. The 5311 funds may be used to support operating deficits (potentially on a 50% federal, 50% non-federal match), capital purchases (on an 80% federal, 20% non-federal match or 85% federal, 15% non-federal for vehicles meeting ADA and Clean Air standards), job access/reverse commute projects, mobility management, or planning activities (on an 80% federal, 20% non-federal match). State policy does not allow local transit administration costs for public transit systems to be treated any differently than operating expenses.

The Iowa DOT formula allocating 5310 and 5311 funds uses the past year's performance statistics. The amount of formula funds to be distributed to small urban systems versus regional systems is determined by first splitting the allocations with 75% going to the regional systems and 25% going to the small urban systems. The individual allocations to small urban systems are then determined on the basis of 50% of the percentage of total small urban ridership accomplished by that system and 50% of the percentage of total small urban revenue miles provided by the individual system. Individual allocations for regional systems are based on 40% of the system's percentage contribution to total regional transit ridership and 60% on the system's percentage contribution to total regional revenue miles. See [Exhibit 3](#) to view the formula with an example.

The formula apportionment funds received by each system must be used to support services open to the public. This would include eligible transit capital or operating expenses as defined by the federal government. The decision of how the formula funds are programmed is a part of the local transportation planning and programming process conducted through the regional planning affiliation. PTT provides a projection of the formula funding that will be available to each system for the coming state fiscal year between January and March each year, in order to facilitate integration of the 5311 programming process with the annual preparation of the regional Transportation Improvement Program (TIP).

PTT decides which agencies will receive 5310 funds versus 5311 funds, based on how the transit systems will use the monies. At present, most transit systems choose to use their formula funds for support of transit service costs. The 5310 funds are targeted to systems that purchase services from sub-providers, and 5311 funds are targeted first to systems that provide their services directly. To the extent that any system proposes to use its 5310/5311 allocation for purchase of rolling stock to operate within an urbanized area, 5310 funds will be used (and the project will be included in that urbanized area's

Transportation Improvement Program (TIP)). If facility improvements are programmed with the formula funds, 5311 funding will be used.

The federal requirements for the 5311 program are described in [FTA Circular 9040.1G](#).

**[Section 5311\(b\)\(3\) Rural Transit Assistance Program \(RTAP\)](#)** – This federal program provides a source of funding to assist in the design and implementation of training and technical assistance programs and other support services tailored to meet the specific needs of transit operators in non-urbanized areas (less than 50,000 in population). By law, the state is the direct recipient of the funding. In Iowa, the DOT's PTT serves as the recipient of these funds. Federal guidance for the RTAP program is contained in [FTA Circular 9040.1G](#).

Iowa's RTAP funds are mainly used to provide local transit agencies training fellowships. The fellowships pay 100% of the cost for Iowa's small urban and regional transit systems and their planners to attend Iowa DOT sponsored seminars, as well as transit-related courses or conferences sponsored by other groups. Transit systems may also be reimbursed for training held in-house. A similar program funded with state transit assistance (STA) funds pays for costs incurred by large urban systems and their planners. [Chapter 12](#) explains the procedures for receiving training fellowships.

Additional RTAP projects funded by PTT include:

- Statewide training seminars
- Statewide annual driver roadeo
- Transit training library
- Transit marketing video

Previously funded Iowa RTAP projects that continue to benefit transit systems in Iowa and around the nation are:

- Training video on bloodborne pathogen precautions
- Training video on coordination of transit services

**[Section 5311\(f\) Intercity Bus Assistance](#)** - A minimum of 15% of each year's non-urbanized formula funds allocated to Iowa under the 5311 program is required to be set aside to support intercity bus transportation. Private-for-profit companies, private non-profit corporations, or public entities may apply for this funding. Connections to Amtrak or passenger air service terminals are desirable. Service strictly for commuter purposes is not eligible. Projects may include operating assistance, capital assistance, planning, or administrative costs such as marketing and insurance.

#### **What types of projects are eligible?**

Proposed projects must directly support the provision of intercity bus services in Iowa. Eligible routes must serve Iowa intercity bus terminals connected to the nationwide intercity bus network and include stops in nonurbanized areas. The following funding categories have been established for the Iowa Intercity Bus Program. These categories are listed in **priority order**.

#### **Priority 1: Provide a base level of funding support to preserve the existing intrastate system**

- Funding will be approximately 20 cents per revenue mile based primarily on preventive maintenance and insurance costs
- Funding will be allocated based on existing miles of Iowa intercity service
- To qualify for these funds, carriers must provide quarterly reports noting the number of Iowa passenger trips by route, miles of revenue service, and total cost per revenue mile
- Eligible carriers must serve Iowa intercity bus terminals connected to the nationwide intercity bus network

**Priority 2: Provide support for the development of new connector/feeder service**

- Funding assistance shall be up to 50 cents per mile based primarily on preventative maintenance and insurance costs. Funding for new routes that duplicate existing route shall be limited to 50 cents per mile
- New service projects are eligible for funding for three years
- To qualify for these funds, carriers must provide quarterly reports noting:
  - The number of Iowa passenger trips by route
  - Miles of revenue service
  - Total cost per revenue mile
- Eligible carriers must serve Iowa intercity bus terminals connected to the nationwide intercity bus network
- New intercity bus service must be ADA accessible and each route must include service to nonurban population centers

**Priority 3: Provide funding assistance for route specific marketing projects**

- Marketing of new services will have the highest priority for this category of funding
- Marketing of new routes will be funded at 80% federal and 20% nonfederal, with a federal cap of \$12,000 per route
- New marketing of existing service will be funded at 80% federal and 20% nonfederal, with a federal cap of \$7,500 per carrier
- Joint project development between cities, intercity carrier terminal managers, and operators is encouraged
- The funding will be limited to external non-labor costs only
- Applicants should include a system wide overview of their current marketing efforts
- Applicants with unused marketing funds may have their marketing funding requests reduced or eliminated unless proper justification is provided. Justification should include reasons why funding is unspent plus a plan that assures the balance and any additional funding will be spent in a timely manner

**Priority 4: Provide support for vehicle and bus terminal improvements**

- Vehicles required to support new services for Iowa will have the highest priority for funding, terminal improvements will have the next highest priority
- Terminal improvements shall require commitments to continue service for a period of years
- All improvements must meet ADA accessibility standards

The Intercity Bus Assistance Program is included as a statewide total in the Statewide Transportation Improvement Program (STIP). Annual intercity bus assistance applications must be received by PTT by the first business day of October for projects to begin in January. Project selections are finalized by December.

**Section 5339 Bus and Bus Facilities Formula Grants** – Section 5339 funds can finance capital projects to replace, rehabilitate, and purchase buses and related equipment and to construct bus-related facilities. In Iowa, approximately \$3,500,000 is received annually to be spent in small urban (under 50,000 population) and regional transit systems and approximately \$1,200,000 is received for large urban transit systems serving populations between 50,000 and 200,000. All funds are spent on vehicle replacements rather than on expansion vehicles or bus-related facilities and are distributed utilizing the vehicle rankings of the Public Transit Management System (PTMS). Transit systems serving populations over 200,000 receive direct allocations from the Federal Transit Administration and are not included in the statewide distribution through PTMS.

Funding amounts are 80% federal/ 20% local basis or 85% federal/15% local for vehicles with ADA features and Clean Air adaptations.

## Federal Flexible Funds

**Surface Transportation Block Grant (STBG) Program** – These funds come to the state based on a number of factors including Vehicle Miles of Travel, Highway Lane Miles and the number and size of bridges. The funds can be used for roadway, transit capital projects, pedestrian/bikeway projects, or intermodal planning projects on an 80% federal, 20% local basis. In Iowa, a portion of these funds is programmed by local governments acting through metropolitan or regional planning agencies. Nearly all of Iowa RPAs and some MPOs fund a portion of their intermodal transportation planning activities from STBG funds. Most transit systems have also been successful in receiving STBG funding from their local MPO or RPA. When programmed for transit or planning projects, these funds are transferred from FHWA to FTA for administration, either through a direct 5307 grant for large urban transit systems, through a statewide 5311 grant for small urban or regional systems, or through the statewide consolidated planning grant for planning projects. PTT administers the statewide grant for individual small urban and regional transit systems. The Iowa DOT Systems Planning Bureau administers the planning grant.

**Congestion Mitigation/Air Quality (CMAQ) Program** – This program is one of the five core funding programs of the Federal Highway Administration (FHWA) that can be flexed between highway, transit or bicycle/pedestrian uses. Nationally, the CMAQ program is intended to fund transportation projects to assist metropolitan areas in non-attainment of Clean Air Act standards. In those states with areas in non-attainment, all CMAQ monies must be spent in the affected areas for projects conforming to a state air quality implementation plan. Because Iowa does not have any area in non-attainment of transportation-related federal clean air standards, the state receives a minimum allocation of CMAQ funding that can be used anywhere in the state for any purpose for which STBG funds can be used on the same 80% federal, 20% non-federal basis. City, county, and state projects are all eligible under this program.

The Iowa DOT Commission has set aside \$3,000,000 from this program to be used to replace revenue vehicles for Iowa's 35 transit systems. The funds are programmed based on the Public Transit Management System (PTMS) process that selects projects based on their useful life thresholds of miles and age. These funds are transferred from FHWA to FTA and administered through statewide grants by the Public Transit Team, using the rules of either the 5307 or 5311 program, depending on whether an urbanized or non-urbanized transit system is the project sponsor.

In Iowa, a portion of the CMAQ funds are also split off to create a competitive grant program for eligible city, county, or public transit clean air attainment projects. This grant program is called Iowa's Clean Air Attainment Program (ICAAP). Funds are programmed for highway or transit projects through a statewide application process based on the project's anticipated air quality or congestion relief benefits. Applications are due the first business day of October for projects to begin the following federal fiscal year. Project selections are determined in February. Again, funding is transferred from FHWA to FTA for administration through statewide grant under either the 5307 or 5311 programs depending on whether the projects are in urbanized or non-urbanized areas. Additional information is available in the [Iowa DOT Funding Guide](#) available on the Iowa DOT's website.

**Diesel Emission Reduction Act (DERA) Grant Program** – The Iowa DOT administers the Environmental Protection Agency's (EPA) DERA grant program for the state of Iowa. DERA comes out of the Energy Policy Act of 2005. The 2019 DERA grant funding is available for profit, nonprofit, and public entities that own or operate diesel fleets and equipment in any of the 99 counties in the state of Iowa. Public transit agencies operating medium- and heavy-duty diesel vehicles are eligible to apply. In 2019, the amount of funding available was \$797,625. Visit [https://iowadot.gov/dera/pdfs/DERA\\_Grant\\_Program\\_Info\\_Guide.pdf](https://iowadot.gov/dera/pdfs/DERA_Grant_Program_Info_Guide.pdf) for current application deadlines and further information.

**Volkswagen Settlement Grant** - As a result of two related Volkswagen settlements, the state of Iowa is expected to receive approximately \$21 million in environmental mitigation trust funds over the next ten years for projects that reduce emissions of nitrogen oxides (NOx). As background to these settlements, in 2016, the Environmental Protection Agency (EPA) filed a complaint alleging VW violated the Clean Air Act

by the sale of approximately 580,000 motor vehicles containing 2.0 or 3.0 turbocharged direct injection (TDI) liter diesel engines equipped with "defeat devices" between model years 2009 and 2016. The subject vehicles are equipped with devices in the form of computer software designed to perform differently during normal vehicle operation than during emissions tests. It is alleged that during normal use, the subject vehicles emit levels of NOx in excess of the EPA compliant levels and are a serious health concern.

Eligible applicants for this program are private organizations, public transit system operators, cities, counties, and schools that own and operate diesel fleets and equipment in Iowa. Public transit agencies with diesel buses may apply for settlement money under Mitigation Category 1. More information can be found at: <https://iowadot.gov/VWSettlement/default.aspx>.

**Community Development Block Grant (CDBG) Career Link Program – Employment Transportation** – is a program administered by the Iowa Economic Development Authority (IEDA). The Career Link program can be used to address other employment barriers by providing funding for employment related transportation services. Eligible activities include transportation services for individuals to job activities and adult students to educational training/instructional opportunities. The majority of beneficiaries (individuals utilizing transportation) must reside in non-entitlement communities [i.e. communities under 50,000 in population].

- Eligible applicants are non-entitlement cities (under 50,000) or counties. Funds will flow through the local government to a non-profit transportation entity [i.e. public transit agency] providing the transportation services.
- The majority of beneficiaries (individuals utilizing transportation) must reside in non-entitlement communities.
- Eligible activities will include transportation services for individuals to job activities and adult students to educational training/instructional opportunities.
- Participating businesses may not include retail or service businesses. A service business is a business providing services to a local consumer market which does not have a significant proportion of its sales coming from outside the state.
- The maximum grant award for employment related transportation projects will be \$150,000.
- IEDA will require a 1 for 1 cash match for projects. Matching funds can be a combination of funds from participating businesses, local, state, and federal funds.
- Funds will be used for operational expenses only (not buses/equipment)
- For each project, the majority of beneficiaries (51%) must be low to moderate income individuals, as defined by the federal Department of Housing and Urban Development (HUD).
- Grant recipients must document compliance by collecting income surveys from project beneficiaries.

For more information, please call 515.725.3081 or email [cdbq@iowa.gov](mailto:cdbq@iowa.gov).

## **State Programs**

The State of Iowa currently offers three programs providing financial assistance to public transit systems.

**State Transit Assistance (STA)** - All public transit systems in Iowa are eligible for funding under the STA program. STA funding is derived from an amount equal to four-percent of the fees for new registration collected on sales of motor vehicle and accessory equipment. The majority of funds are distributed by a formula based on each transit system's performance during the previous year in terms of rides, miles and local funding support. These formula funds can be used to support any operating, capital or planning expenses related to the provision of public passenger transportation. The STA program is described in [Chapter 920](#) of the Iowa Administrative Rules. Also, each year up to \$300,000 of the total STA funds are set aside to fund the STA Fellowship Program and the STA Special Projects Program.

**STA Formula Program** - The majority of the state transit assistance funds received in a fiscal year are distributed to individual transit systems on the basis of a formula using performance statistics from the most recent available year. Each month, the dollars received in the fund during the prior month are allocated to the transit agencies. These funds can be used by the public transit system for operating, capital or planning expenses related to the provision of open-to-the-public passenger transportation.

The STA formula funds are first split between urban and regional systems on the basis of total revenue miles of service provided by each group. The funds are then split among individual systems in each category, 50% on the basis of locally determined income (LDI), 25% on the basis of rides per dollar of expense, and 25% on the basis of revenue miles per dollar of expenditure. PTT calculates LDI by subtracting FTA and STA formula funds from the system's operating expenses. [Exhibit 4](#) provides an illustration of the STA formula and an example of how it works.

**STA Fellowship Program** - A major component of the STA funding is a program of transit training fellowships that parallels the RTAP fellowship program described previously. The STA fellowship program focuses on training costs for Iowa's large urban transit systems and metropolitan planning organizations that are not eligible under RTAP. (See [Chapter 12](#) of this Handbook for fellowship information.)

**STA Special Projects** – This program has been updated in 2021. As stated above, the Iowa DOT sets aside approximately \$300,000 of STA funds for fellowships and special projects; about \$175,000 of that money is used for the STA Special Projects program. Special Projects are extraordinary, emergency, or innovative in nature and may include, but are not limited to:

1. Expanding the scope of planning, managerial, or technical expertise.
2. Increasing the public's awareness and understanding of transit.
3. Enhancing the capacity for administration consolidation and service coordination.
4. Reducing impediments to intramodal or intermodal transfers.
5. Increasing the cooperation and coordination between private and public sectors.
6. Developing, demonstrating, or refining a technical, procedural, or mechanical innovation that may be utilized by other public transit systems in Iowa.
7. Responding to an emergency situation that places an extraordinary and unforeseen strain on the resources of a public transit system.

Grants can include projects which support transit services developed in conjunction with human service agencies or local community partners or statewide projects to improve public transit in Iowa. Projects are intended to assist with start-up of new services that have been identified as needs by health, employment or human service agencies or other community partners. Statewide projects may be used on transit marketing and projects exploring new transit technologies.

Each Special Project must be included in the current year of the locally adopted transportation improvement program before the beginning of the fiscal year in which the project will begin.

Operating and small capital projects are eligible for funding up to a maximum of 50% state participation for two years. Vehicles and facilities are not eligible under this program.

One project per transit system at a time is allowed.

Priority is given to projects which include a financial contribution from human service agencies or community partners. In-kind funding is not allowed as a local match source.

Items not eligible for funding:

1. Administrative, operations, or capital expenses which are determined by the DOT to be inconsistent with DOT policies, public law, officially approved planning and programming documents, or inconsistent with the purpose of improving the effectiveness and quality of transit services.

2. Development of managerial, administrative, or operational systems which duplicate programs made available at no charge to the transit system by the DOT.

Applications are due October 1. Projects begin July 1 of the following fiscal year.

Applications will be evaluated on the following:

- Financial contribution from human service agency(ies) or community partners.
- Demonstration of Need. Was this project identified through the Passenger Transportation Plan development? What problem will this project solve? How many passengers will this project serve? Why is this project needed now?
- Demonstration of Benefits. What measures will be in place to determine if the project was successful? How will the project benefit the area in which it operates?
- Demonstration of Coordinated Transportation. Description of how the project contributes to coordinated transportation in the community. How does this project respond to the needs of local human service agencies and/or other community partners?
- Addressing Long Range Public Transit Needs. How does the project address the vision for Iowa's public transit system, "A public transit system that supports the physical, social, and economic wellbeing of Iowans, provides enhanced mobility and travel choices, and accommodates the unique needs of dependent and choice riders through rightsized solutions"? Which goal area(s) and strategy(ies) from the Iowa Public Transit Long Range Plan does this project address? Goal areas and strategies begin on page 105 of the plan: <https://iowadot.gov/iowainmotion/Modal-Plans/Public-Transit-Plan>.

In addition to Iowa DOT public transit staff, the STA Special Project Applications will be evaluated by members of the Iowa Transportation Coordination Council.

For the October 2022 funding cycle and beyond, please complete the application and submit supporting documentation through BlackCat.

If not needed for special projects, the money set aside for that purpose may be moved back into the STA formula program for distribution to all systems or used for a mid-year solicitation of STA Special Projects.

**Public Transit Infrastructure Grants (PTIG)** – In 2006, the Iowa Legislature established a new program to fund some of the vertical infrastructure needs of Iowa's transit systems. Applications are accepted as part of the annual Consolidated Transit Funding Applications. Projects can involve new construction, reconstruction or remodeling, but must include a vertical component to qualify. Projects are evaluated based on the anticipated benefits to transit, as well as the ability to have projects completed quickly. The infrastructure program participation in the cost of transit-related elements of a facility project is limited to 80% and cannot, in combination with federal funding, exceed that number. No single system can receive more than 40% of the available infrastructure funding in a given year. Additional specifics of the program can be found in [Chapter 924](#) of the state's administrative rules.

PTIG projects are also subject to useful life standards, similar to federally-funded capital projects. The PTIG useful life standards can be found in [Chapter 10](#) of this handbook.

When applying for PTIG funding, those transit agencies organized under Iowa Code Chapter 28E should keep the requirement of [28E.18 "Shared use of facilities"](#) in mind:

Before proceeding to construct or purchase a facility as otherwise provided by law, a public agency shall inquire of other public agencies having facilities within the same general geographic area concerning the availability of all or part of those facilities for rent or sharing by agreement with the inquiring public agency. If there are no suitable facilities available for rent or sharing, the governing body of the public agency shall record its findings in its meeting minutes.

**Capital Match Revolving Loan Fund (AMOCO Loan)** – The capital match revolving loan fund was created by the Iowa Legislature in the early 1980's with funds from Iowa's share of the federal government's petroleum overcharge settlement against the American Oil Company (Amoco). The loan program is subject to an intergovernmental agreement between the Iowa DOT and the Iowa Department of Natural Resources (DNR). All public transit systems are eligible for loans under this program. The intent of the program is to increase the inherent energy conservation benefits of public transit by expediting the implementation of transit capital projects.

The program allows no interest loans to transit systems, which the transit system uses towards the required local match on a state- or federally-funded capital project, paying the loan amount back over a period not to exceed five years, depending on initial loan amount. The loan can be used to temporarily fund the entire local match on capital equipment projects or 50% of the required non-state or non-federal match on facility projects. Loan recipients may be required to report project energy savings annually to PTT until the loan is repaid.

A project is eligible if it is a transit capital project that is approved for state or federal funding. The project should be targeted at energy savings.

The public transit system must submit the AMOCO Loan request at the same time as the capital funding application, although AMOCO Loan requests will be considered throughout the year if a transit agency should encounter a financial hardship.

The PTT will review the loan request based on available funds and project eligibility. Upon approval, the public transit system will be offered a contract designating the amount of the loan and the repayment schedule.

Note that all funding agreements between the Iowa DOT and transit agencies include the provision that all payments will be withheld to any transit system delinquent in loan repayments. If repayments are not received in a reasonable timeframe, the transit system's STA funding may be applied to the loan repayment obligation.

Based on the agreement between Iowa DOT and DNR, if loan funds are not needed to expedite transit capital projects, they may be used as no interest loans to individuals for the purchase of vans for vanpooling.

The administrative rules for the Transit Capital Match Revolving Loans are found in [Chapter 923](#) of the department's administrative rules.

The loan request form is located at: <https://iowadot.seamlessdocs.com/f/CO19101000124957358>.

### **AMOCO Loan Lending Policy**

Effective June 21, 2021

The Amoco Loan Program allows no interest loans to transit systems, to be used toward the required local match on a state- or federally-funded capital project. This is a revolving loan fund, depleted when multiple or large loans are made and replenished upon loan repayment. This fund also earns interest when not utilized for local match loans.

**Eligible Projects:** State- and/or Federally-funded public transit vehicles and facilities. A project is eligible if it is a transit capital project that is approved for state or federal funding and included in the Transportation Improvement Program. The project should be targeted at energy savings and loan recipients may be required to report project energy savings annually to the Iowa DOT until the loan is repaid.

**Maximum Loan Amount:** The loan can be used to temporarily fund the entire local match on capital vehicle purchases or 50% of the local match on facility projects. A maximum of \$350,000 may be loaned to any one public transit agency at any given time, depending on loan funding availability and transit system demonstration of ability to repay the loan.

**Loan Term:** Amoco loans will be paid back quarterly over a period not to exceed five years. Loans of \$100,000 or less will be paid back within two years. Loans of \$100,001 or more will be paid back over a five-year period or less.

**Loan Request:** The public transit system shall normally submit a request for an Amoco loan to the department when the annual consolidated grant application is made, but may submit a request at any time if a specific need arises. The request shall include, but not be limited to, the following topics and documents:

- a. A description and cost estimate of the proposed project.
- b. An explanation of the benefits, including projected energy conservation benefits, to be gained from the project.
- c. An explanation and justification of need for the loan.
- d. A proposed schedule of when funds will be needed for the project.
- e. A proposed loan repayment plan with schedule and source of funds.

Complete form located at: <https://iowadot.seamlessdocs.com/f/CO19101000124957358>

**Selection Criteria:** Iowa DOT shall review each loan request and shall evaluate the projects for funding. Based on the following criteria (in no particular order), preference shall be given to projects that:

- a. Foster coordination among transit services, such as a ground transportation center, a joint maintenance facility, or cooperative vehicle usage.
- b. Enhance local or regional economic development, such as a transit mall, passenger shelter facilities, or vehicles for extension of services.
- c. Increase federal funding to the state, such as accelerating purchase of replacement vehicles.
- d. Extend services to the transportation disadvantaged.
- e. Promote energy conservation, such as fuel efficiency.
- f. Require the loan as only a portion of the local matching funds required.

**Loan Default:** If a public transit system fails to make a loan payment as agreed in the contract, the department may, at its option, deduct the amount of any past due loan payment from state transit assistance payments allocated to that transit system.

## Local Funding

The bulk of transit funding in Iowa comes from local sources, especially on the operating side. How systems generate their local financial support varies, but some of the more common sources are as follows:

**Passenger Revenues** – Fees paid by the passengers is one of the most common sources of local support. This can include monies collected on-board the transit vehicle (usually called “farebox receipts”), as well as prepaid fares from sale of passes or tickets, or fares billed to the passenger after the fact. FTA requires that all passenger revenues be subtracted from the total cost of operating transit service to identify a net operating cost, before eligibility for federal financial support of operations can be calculated.

**Contract Revenue** – Human service agencies, local communities, as well as private businesses are often willing to pay a part or all of the cost for certain types of rides provided as part of the open to the public transit operation. Such subsidies are classified as contract revenues and can count toward the required local match on federal projects.

### Local Taxes –

**Municipal Transit Levy** – Iowa law authorizes municipalities to levy up to 95 cents per \$1,000 of assessed taxable property in order to support the cost of a public transit system. Most of Iowa's larger communities levy for support of their urban transit systems. A number of smaller communities use this authority to generate funding used to support services contracted from their designated regional transit system. [Exhibit 5](#) shows which communities are currently using the levy authority and how much is being generated.

**Regional Transit Levy** – In 2005, the Iowa legislature authorized that counties with populations exceeding 175,000 are able to form regional transit districts for support of area-wide public transit services. A commission appointed from the governing bodies of participating counties and municipalities is responsible to manage and administer the regional transit district. Once formed, adjacent counties can become part of the district, and municipalities in non-participating adjacent counties can join. The district can levy up to the 95 cents per \$1,000 of the assessed value of all taxable property in a district. Unlike the provisions in the municipal levy, a regional transit district can set differing levy rates across their territory. While both Linn and Polk Counties have the population to form a regional transit district, as of March 2011 only Polk County has chosen to form a district, including several municipalities from adjacent non-participating counties. [Exhibit 6](#) shows which communities are participating, their respective tax rates, and the total amount of funds generated.

**General Fund Levy** – The cost of supporting transit services is an eligible use of general fund revenues for all Iowa governments and is the primary source of funding to support transit for counties who don't have the option of a transit levy, as well as for cities which chose not to use the transit levy.

**Trust and Agency Levy** – The [Trust and Agency Levy](#) can be used by cities and counties to support employee benefit plans. As such, it can be used to help support the cost of a city operated transit system.

### Other Local –

**Student Fees** – Mandatory student fees established by a college or university are similar to a tax levy in that all members of the particular community contribute.

**Advertising Revenues** – Sale of on-board advertising or advertising space in brochures, etc. can provide some additional revenues to the transit program.

### **Other**

As part of an employer's fringe benefits package, Qualified Transportation Benefits may be provided. These benefits may assist with the costs of vanpooling in a "commuter highway vehicle" or for purchasing a transit pass and can generally be excluded from the employee wages up to the allowed limits. For 2021, the value of these benefits is \$270 per month for combined commuter highway vehicle transportation and transit passes. Transit agencies may want to discuss these benefit offerings with local businesses to encourage more transit ridership. For more information, refer to the Internal Revenue Service publication, <http://www.irs.gov/pub/irs-pdf/p15b.pdf>, or speak to a tax professional.