TCAR Report

JACKSONVILLE TRANSPORTATION AUTHORITY

APPENDIX F

Summary of Funding Options Technical Memorandum

ULTIMATE URBAN CIRCULATOR

Jacksonville Transportation Authority
Skyway Modernization
Summary of Funding Options

PURPOSE:

This paper identifies possible funding options for the JTA Skyway Modernization Project. Funding for transportation projects can seem a complex and confusing subject: This paper is designed to simplify this process and outline the most logical funding options for the JTA to move the Skyway Modernization project forward. Most of these funding options exist today but will require priority setting or action by entities such as the U.S DOT and U.S. Congress, Florida DOT and Florida Legislature, Northeast Florida Transportation Planning Organization (TPO), and Duval County/City of Jacksonville.

BACKGROUND:

Ownership and Designation- The funding for transportation improvements is determined by the ownership_(state, county, city) of the transportation asset (road/bridge, transit system, seaport, airport, etc.) and the designation or "type" of the asset. Note that some designations may overlap: A roadway can be part of the Federal-aid system and be part of the Florida Strategic Intermodal System (SIS) or Non-SIS State Highway System or a local road. For our purposes, we will be focusing solely on transit and rail type assets:

- New major transit system such as Bus Rapid Transit or Transit Rail Corridor – eligible for State 50% of non-Federal share transit "New Starts" program.
- Local transit systems that are primarily locally funded but are also eligible for the state transit block grant program and depending on the structure and these systems may also serve transportation disadvantaged with funding from the transportation disadvantaged program and health services programs like Medicaid.

Executive Summary

Funding options for a project as large as the Skyway Modernization Program will often consist of federal, state and local sources. Specific sources can include existing federal formula and discretionary funds (Federal New Starts, Small Starts and Surface Transportation Block Grant Program) at the Federal Transit Administration and the Federal Highway Administration, Florida DOT funding programs, and local funding eligible for transportation uses. In addition, there are potential local funding programs that may or would require City/County approval (Special Assessment Districts, new transportation taxes or fees or Tax Increment Districts). The funding sources may require specific types of activities or project scopes as part of an eligibility test to secure the funding.

The Florida DOT developed the Transit Concept and Alternatives Review (TCAR) approach to outline the FDOT process for early planning and early evaluation of transit projects in Florida. The TCAR process is a uniform approach for advancing transit projects by linking early planning work to the FDOT Project Development and Environment (PD&E) and FTA Project Development process. JTA is following the TCAR approach be followed in the evaluation of the Skyway Modernization project. The primary purpose of the TCAR is to identify the appropriate levels of effort and expense to move the project forward as defined in the FDOT and Federal Funding processes to fully develop the project including the preliminary cost and funding plan.

As part of the TCAR process JTA will develop an initial project funding plan which will be refined and detailed as the project is moved through the Project Development phase. This initial funding plan will need to identify prospective funding sources such as Federal, state and local funds for review by FTA and FDOT as part of the process to enter the Project Development Phase.

TRANSIT CONCEPTS AND ALTERNATIVES REVIEW (TCAR):

- **TCAR Process and Study –** The TCAR process incorporates and complies with all federal and state laws and regulations to provide consistent guidance for Florida transit projects preparing to enter the FTA or state process to achieve project funding.
    - The TCAR process is a uniform approach for advancing transit projects by linking early planning work to the FDOT Project Development and Environment (PD&E) and FTA Project Development (PD) processes. The result of the TCAR is a study that details the project information and requirements necessary to prepare an application for entry into the FTA PD process or development through the state project development process.
    - The TCAR process is a streamlined planning and environmental screening process that compares transit project alternatives, potential costs, funding options, community benefits, economic development, and mobility for users of a proposed project. It also considers high level environmental effects of the alternatives. Advancing transit projects that maximize existing funding sources and have the greatest potential return on investment is paramount to the preservation and growth of an effective transportation system.

MAJOR TRANSPORTATION FUNDING SOURCES:

Major Funding Sources, Programs and Eligibility –Most transportation funding sources are very specific as to the purposes for which the funds can be used. A few others are more flexible, so long as the funds are used for a specified overall purpose such as transportation improvements or operations. The key transportation funding options are outlined below:

- **Federal Highway Administration (FHWA) funds** – these funds are allocated to the State Department of Transportation (FDOT) in "programs" set in Federal law. Each program has requirements that outline the type of transportation improvements for which the funds can be used during the term of that program. FDOT coordinates with the TPO on prioritizing the use of these funds and the TPO must include the transportation improvement project in their Transportation Improvement Plan (TIP) for the use of Federal Highway funds within their jurisdictional boundaries. While these are identified as "highway" funds there are certain FHWA programs that can be used for items like "intermodal facilities" where roads and transit connect and also the Surface Transportation Block Grant Program which can be "flexed" to the Federal Transit Administration for transit projects. More details on the Federal Highway funds can be found at the FHWA internet site at: www.fhwa.dot.gov/fastact/

- **Federal Discretionary (TIGER) Grants -** The Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant program, is a U.S. DOT-wide program investing in critical road, rail, transit and port projects across the nation, managed by DOT's Office of the Secretary. The highly competitive TIGER grant program supports innovative projects, including multi-modal and multi-jurisdictional projects, which are difficult to fund through traditional federal programs. The TIGER program is designed to award funding based on merit and need**.** More detail on the U.S. DOT TIGER Grant program can be found at https://www.transportation.gov/tiger.

- **Federal Discretionary Infrastructure for Rebuilding America (INFRA) Grants** - The INFRA program provides dedicated, discretionary funding for projects that address critical issues facing our nation's highways and bridges. INFRA grants will support the Administration's commitment to fixing our nation's crumbling infrastructure by creating opportunities for all levels of government and the private sector to fund infrastructure, using innovative approaches to improve the necessary processes for building significant projects, and increasing accountability for the projects that are built. More detail on the U.S. DOT INFRA Grant Program can be found at https://www.transportation.gov/buildamerica/infragrants

- **Federal Transit Administration (FTA) funds** – these funds are in two major groupings: "formula funds" and "discretionary funds" as shown below. More information is available at the FTA internet site: https://www.transit.dot.gov/grants

- Formula Funds (5307) – are allocated to applicable TPO areas and then to transit agencies such as the Jacksonville Transportation Authority and other transit agencies in the regional area of the TPO based on items like number of transit riders served, population, transit system miles, etc. In addition, there are formula funds for "rural areas" with population less than 50,000 that are also allocated to rural areas for transit systems. These formula funds are allocated annually to the transit agencies to fund federally eligible transit improvements and rehabilitation and to a limited extent operating assistance for rural areas.
- Discretionary Funds (5309) - are competitive grants managed by the FTA where eligible transit agencies must apply for the grant funds to the FTA for projects like new bus or replacement bus purchases; new transit corridor improvements like Bus Rapid Transit and fixed rail public transit systems. These funds typically require some level of match from state and local funds.
    - **Capital Investment Grant Program –** These are commonly termed "New Starts", "Small Starts" and "Core Capacity" programs that provides Federal transit funding for projects that add new capacity for local public transit programs. This is normally a transit project that adds new service such as a new Bus Rapid Transit or rail transit corridor or expands an existing service with an extension of the current service. The only difference between New Starts and Small Starts is the size of the transit project. Recently, JTA has been successful in competing for FTA Capital Investment Grants for their new Bus Rapid Transit Program known as the First Coast Flyer. More information is available at the FTA Capital Investment Grant Program site https://www.transit.dot.gov/funding/grant-programs/capital-investments/capital-investment-grants-program

- **State Transportation Funds –**are directed to FDOT by state laws such as the state motor fuel tax (commonly called "gas tax") and state motor vehicle fees, and other fees and taxes as outlined in law. (more detailed information is located on the FDOT web at www.dot.state.fl.us/officeofcomptroller/pdf/GAO/RevManagement/Tax%20Primer.pdf) There are transportation "programs" in state law that direct certain defined portions of state transportation funds to specific uses such as the examples outlined in the bullets below. There are very detailed instructions provided by FDOT on the use of state funds in what is termed the "FDOT Work Program Instructions," available on the FDOT web site: www.dot.state.fl.us/OWPB/Development/WP_instructions.shtm; There is also a less technical document, termed the "FDOT Program and Resource Plan" available at www.dot.state.fl.us/OWPB/pra/ProgramAndResourcePlanDocument.pdf .
    - A minimum of 15% of state transportation revenues must be spent on "public transportation" systems such as public transit systems, public and private rail facilities, public aviation facilities, commercial seaports and intermodal transportation facilities.

The funds are primarily for capital improvements for the various programs outlined with limited funds such as the public transit block grant program with more flexible uses for public transit systems;

- A minimum allocation amount to the SIS –FDOT, by policy, currently allocates 75% of available Federal Highway Administration and State funds for transportation improvements to the SIS and 25% to the Non-SIS. The rationale is that the SIS facilities such as the interstate system, major expressways, major US routes, commercial airports, commercial seaports, intercity rail, and major intermodal centers move most people and goods in the State and thus should receive most of the available funding. This policy was developed over a period of years and has been in place for some time with the support of the Governors, Legislature, MPOs, the business community, and other interested parties. While this policy seems logical and has solid support, it leaves limited FDOT funds, typically used for resurfacing, maintenance and ongoing operations, for Non-SIS facilities.
- A minimum allocation of funds to the transit New Starts program that is patterned after the FTA New Starts Program for new public transit projects like fixed rail and bus rapid transit.
- Certain funds must be allocated by "Statutory Formula" composed of 50% population and 50% motor fuel tax collected within each FDOT District.
- Funds are allocated for competitive grant and loan programs such as the examples below:
  - Transportation Regional Incentive Grant Program (TRIP) – provides up to 50% of project funding for eligible projects.
  - County Incentive Grant Program (CIGP) – provides up to 50% of project funding for eligible projects.
  - State Infrastructure Bank (SIB) – provides loans and loan guarantees with flexible terms at attractive rates for eligible projects.

- **Local Transportation Funds –**are generated by the applicable local government (County, City, special districts) under tax and fee sources as briefly outlined below. The table below also outlines taxing authority that has not been enacted and the amount that could be generated for each source.
  - Local Option Motor Fuels Tax - County governments are authorized to levy up to 12 cents of local option motor fuel taxes in the form of three separate levies. Duval County/City of Jacksonville as of March 2018 has imposed 6 cents of the allowable 12 cents of local option motor fuel taxes.
    - The first is a tax of 1 cent on every net gallon of motor and diesel fuel sold within a county. ("Ninth-Cent Fuel Tax")
    - The second is a tax of 1 to 6 cents on every net gallon of motor and diesel fuel sold within a county.

        - The third tax is a 1 to 5 cent levy upon every net gallon of motor fuel sold within a county, and diesel fuel is not subject to this tax.
        - The first two taxes above can be authorized by an ordinance adopted by a majority vote of the governing body or voter approval in a countywide referendum, and the proceeds are used to fund specified transportation expenditures.
        - The third tax may be levied by an ordinance adopted by a majority plus one vote of the membership of the governing body or voter approval in a countywide referendum, and the proceeds are used for transportation expenditures needed to meet the requirements of the capital improvements element of an adopted local government comprehensive plan.
    - Charter County and Regional Transportation System Surtax - Each charter county that has adopted a charter, each county the government of which is consolidated with that of one or more municipalities, and each county that is within or under an interlocal agreement with a regional transportation or transit authority, may levy the Charter County and Regional Transportation System Surtax (sales tax) at a rate of up to 1 percent. Duval County/City of Jacksonville has implemented 0.5% of the up to 1 percent available for the Charter County and Regional Transportation System Surtax.
        - The levy is subject to approval by a majority vote of the county's electorate or by a charter amendment approved by a majority vote of the county's electorate.
        - Generally, the tax proceeds are for the development, construction, operation, and maintenance of fixed guideway rapid transit systems, bus systems, on-demand transportation services, and roads and bridges.
    - Local Government Infrastructure Surtax - This Surtax may be levied at the rate of 0.5 or 1 percent pursuant to an ordinance enacted by a majority vote of the county's governing body and approved by voters in a countywide referendum. Duval County/City of Jacksonville has implemented 0.5 percent of the available 1 percent.
        - Generally, the proceeds must be expended to finance, plan, and construct infrastructure; acquire land for public recreation, conservation, or protection of natural resources; finance the closure of local government-owned solid waste landfills that have been closed or are required to be closed by order of the Department of Environmental Protection (DEP).
    - The table below provides a summary of the current local taxes levied for transportation and infrastructure purposes in Duval County/City of Jacksonville. The amounts shown in the table reflect the amount that could be levied by Duval County/City of Jacksonville by tax source should a decision be made to pursue these available funding sources.

County	Local Option Gas Tax (Per Gallon)			Local Discretionary Sales Surtax		
	Ninth-Cent Tax	**1-6 Cents**	**1-5 Cents**	**Local Option Infrastructure Sales Tax**	**Charter County Transit Surtax**	**Small County Surtax**
Duval	0/1 - $4.68M unrealized	6/6 - $32.6M	0/5 - $21.7M unrealized	Yes - 0.5% - $95.8M - 0.5% $95.8M unrealized	Yes - 0.5% - $98.5M, 0.5% $95.8M unrealized	N/A

**Amounts above based on FY 2018 estimates published by the Florida Office of Economic and Demographic Research and reflect the estimated annual amount generated for this source.

- Local County or City General Funds – Counties and cities may allocate General Funds for transportation purposes. Transportation uses must compete against many other top priorities and it is up to the governing body in the annual budget to allocate any General Funds for transportation purposes. This is generally based on a specific need and is not a routine amount of funds that can be outlined or projected for the future. This varies significantly by local government and the priorities for their respective jurisdiction.
- Regional Transportation Authority – Chapter 163, Part V, Florida Statutes provides that any two or more contiguous counties, municipalities, other political subdivisions, or combinations thereof are authorized and empowered to convene a charter committee for the purpose of developing a charter under which a regional transportation authority, hereinafter referred to as "authority," may be constituted, composed, and operated as a Regional Transportation Authority. If created the Regional Transportation Authority may enact through a majority vote of the citizens in the region of the Authority for up to three mills. This section of law has been in place for many years and to date has not been used to create a regional transportation authority. The existing regional transportation authorities in law were created for a specific purpose and region and none of the existing Authorities have been provided the ability to implement taxes. The Authorities created to date have been more focused on raising revenues through user fees such as tolls, transit fares and advertising sales. The tax funds provided to existing Authorities such as the Jacksonville Transportation Authority have been provided through existing taxing authority available to the county.

- **Transportation User Fees Authorized Under Current Law –** The state and local governments are authorized to collect user fees for the use of the transportation system. The different types of user fees vary by the mode of transportation and the benefit being generated by the user. Some key examples are outlined below:

- Public Transit User Fees – Some form of fees (often term “Fares”) are in use in all counties in the region for use on the public transit system to help cover part of the cost of the annual operations. In addition, the public transit entities also normally charge for advertising and related fees such as for logos on a bus or bus shelter. These fees normally cover a percentage of the annual operating costs (a coverage rate of 25% of annual operating cost is considered as good in the transit industry) with the remainder of annual cost of operations and capital cost being funded through traditional transportation funding tax sources.
- Special Property Assessment Fees/Tax Increment – A common practice in major urban areas and high growth areas is the use of special project assessments and/or tax increments that are directed to a specific transportation improvement project (could be a transportation corridor of projects) that provides demonstrated benefit to the properties that are being assess or from which the tax increment (from growth in the property values) are collected and used to help fund the transportation improvement. Common examples are for major transportation and related improvements (landscaping, lighting, etc.) in public transit corridors (fixed rail systems or bus rapid transit corridors), for renovation of an existing transportation corridor in a redevelopment area of a city, or for a new major development such as a community development district that adds roads or transit services associated with the new development. There are examples in the region such as:
  - Redevelopment Agencies (property tax increment) such as the Keystone Heights Community Redevelopment Agency, Downtown Investment Authority in Jacksonville, Jacksonville Beach Community Redevelopment Agency, Fernandina Beach Redevelopment Agency, Crescent City Community Redevelopment Agency, Palatka Downtown Community Redevelopment Agency, St. Johns County Community Redevelopment Agency. Funds generated by the increase in property values (and the property tax increment associated with this increase) can be used for a range of improvements including transportation associated with the redevelopment activities.
  - Community Development Districts (CDD’s) are quasi-governmental entities created to collect property assessment fees from property owners within the District. There are a number of CDD’s in and around Duval county. CDDs are commonly used to help fund the infrastructure for major new developments, including roads and other transportation infrastructure. Roads funded by CDD’s are considered public roads whether the roadways are owned and operated by local governments or by the CDD itself. A number of CDDs have experienced cash flow challenges related to the “Great Recession” when development slowed dramatically and in some cases was at a standstill. In situations where advances had been provided by debt (such as bonds) to fund infrastructure improvements (such as roads), the lack of growth led to the inability to make

debt payments in full and on time. This led to "workout scenarios" that continue for some CDDs even today, over seven years after the beginning of the Great Recession. This makes the use of CDD's more challenging.

- Concurrency Management (Mobility Fee) -To adequately and efficiently address the City's mobility needs the City has replaced transportation concurrency with the 2030 Mobility Plan. The intent of the 2030 Mobility Plan is to replace the transportation concurrency management system with a holistic mobility approach that applies a fee system to new development based upon the link between land development and transportation. Mobility fees received by the City shall be deposited into the Mobility Fee Special Revenue Fund. In order for a project to be eligible for proceeds from the COJ Mobility Fee it must meet certain applicability criteria.

- **Transportation User Fees That Require A Change in Law -** The following transportation user fees are collected today on a statewide basis. In the past various entities around Florida has proposed the creation of local option user fees based on these statewide user fees that would be enacted by a county level vote of the citizens. It would require legislative action to create a local option for each of these user fees.
  - Rental Car Surcharge – A surcharge of $2.00 per day or any part of a day is imposed upon the lease or rental of a motor vehicle licensed for hire and designed to carry less than nine passengers regardless of whether such motor vehicle is licensed in Florida. The surcharge applies to only the first 30 days of the term of any lease or rental. 80 percent of the proceeds of this surcharge shall be deposited in the State Transportation Trust Fund. The proceeds deposited in the State Transportation Trust Fund shall be allocated on an annual basis in the Department of Transportation's work program to each department district, except the Turnpike District. The amount allocated for each district shall be based upon the amount of proceeds attributed to the counties within each respective district. While this option is available to Jacksonville, the existing rental car market will not generate significant additional funding through this approach.
  - Motor Vehicle Registration Fee – Florida charges different fees based upon the type of vehicle you're registering, its weight, the license plates you choose, and if you will be registering the vehicle for 1 year or 2 years. A local option registration fee can be established only through legislative action.
- **Federal and State Loan Programs –** Both the State of Florida and the USDOT offer low interest loans on a competitive basis to help fund infrastructure projects.
  - FDOT SIB Loan - The State Infrastructure Bank (SIB) is a revolving loan and credit enhancement program consisting of two separate accounts. The federally-funded account is capitalized by federal money matched with state money as required by law and the state-funded account is capitalized by state money and bond proceeds. The SIB can provide loans and other assistance to public and private entities carrying out or proposing to carry out projects eligible for assistance under state and federal law. SIB participation from the federally-funded account is limited to projects which meet all

federal requirements pursuant to the Transportation Equity Act for the 21st Century (TEA-21) and are eligible for assistance under Title 23, United States Code (USC) or capital projects as defined in Section 5302 or Title 49 USC and other applicable federal guidelines. SIB participation from the state-funded account is limited to a transportation facility project that is on the State Highway System or that provides for increased mobility on the state's transportation system in accordance with Section 339.55, Florida Statutes or provides for intermodal connectivity with airports, seaports, rail facilities, transportation terminals, and other intermodal options for increased accessibility and movement of people, cargo, and freight.
    - USDOT TIFIA Program - The Transportation Infrastructure Finance and Innovation Act (TIFIA) program provides credit assistance for qualified projects of regional and national significance. Many large-scale, surface transportation projects - highway, transit, railroad, intermodal freight, and port access - are eligible for assistance. Eligible applicants include state and local governments, transit agencies, railroad companies, special authorities, special districts, and private entities. The TIFIA credit program is designed to fill market gaps and leverage substantial private co-investment by providing supplemental and subordinate capital. Each dollar of Federal funds can provide up to $10 in TIFIA credit assistance and support up to $30 in transportation infrastructure investment.

- **Additional Revenue Options –** In addition to revenue sources that are already available, the JTA could choose to explore new funding sources. Some of the new funding sources could include:
    - **Ridership Fares –** also referred to as ridership fees or user charges, the revenue generated could be used for annual maintenance costs or to repay the upfront capital investment costs.
    - **Advertising –** like farebox revenue, this new funding source could be used to offset a myriad of project related costs. Advertising revenue could come from traditional means (station advertising placement, vehicle wraps, etc.) or non-traditional means (use of a mobile payment platform for farebox collection could provide an additional opportunity to attract mobile based advertisers)
    - **Transit Oriented Development (TOD) –** based on the current footprint of the Skyway and the planned expansion, TOD represents a very realistic way for the JTA to offset the capita costs of current station upgrades as well as new stations. New multi-use development at or near the existing and new stations could also increase ridership and increase the value of advertising space.

- **Trump Administration Proposal for Rebuilding Infrastructure in America –** President Trump on has proposed a preliminary framework for new discretionary programs, but it should be noted that this is only a proposal and does not provide any additional means of funding that these programs will move forward until review and action is formally taken by the United State Congress. More details on the President's Infrastructure Proposal can be found at https://www.whitehouse.gov/wp-content/uploads/2018/02/FY19-Budget-Fact-Sheet_Infrastructure-Initiative.pdf

- **Incentives Program**: Under the President's proposal, $100 billion over ten years will be dedicated toward an Incentives Program to encourage increased State, local, and private investment by awarding project sponsors incentives for demonstrating innovative approaches that will generate independent revenue, reduce project costs and timelines, and improve performance. The Incentives Program will target a wide-ranging group of traditional government-owned asset classes, including surface transportation and airports, passenger rail, maritime and inland waterway ports, waterways, flood risk management, water supply, hydropower, water resources, drinking water facilities, wastewater facilities, stormwater facilities, and Brownfield and Superfund sites. Project sponsors will apply for incentives, and applications will be evaluated on objective criteria with new revenue being the largest driver for award. Project sponsors selected for award will execute an agreement committing to meet agreed progress milestones, and incentive funds will be conditioned upon achieving the milestones within identified timeframes.
- **Transformative Projects Program:** This program proposes $20 billion in Federal funding and technical assistance over a ten-year period for bold, innovative, and transformative infrastructure projects that could dramatically improve infrastructure. Funding under this program would be awarded on a **competitive basis** to projects that are likely to be **commercially viable**, but that possess unique technical and risk characteristics that otherwise deter private sector investment. The Transformative Projects Program would support projects that, with Federal support, are capable of generating revenue, would provide net public benefits, and would have a significant positive impact on the Nation, a region, State, or metropolitan area.