Appendix B

Governance and Funding

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KITSAP TRANSIT

Task 2—Governance and Funding

June 2014 | Final Report

kpff Consulting Engineers

Passenger-Only Ferry Business Plan and Long Range Strategy

Task 2 — Governance and Funding

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Appendices

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1. Introduction

An important step in planning for the implementation of a new passenger-only ferry (POF) service is evaluation of the governance and associated funding options available to Kitsap Transit (KT). Two questions are considered in this task:

1. What are the statutory authority models, funding sources and provisions, and enabling legislation in place today?
2. What are examples of other successful governance models that could be applied to KT with legislative changes?

2. Governance Models and Funding Provisions

2.1. MODELS WITH CURRENT STATUTORY AUTHORITY

KT's legal counsel recently prepared a memorandum, "Potential Sources of Funding for Passenger-Only Ferries" that reviews current enabling legislation and governance alternatives and helps to identify models of particular relevance to KT. In addition to this memorandum, relevant material in the King County Waterborne Transit Policy Study and Kitsap Transit Passenger-Only Ferry Investment Plan (2006 draft and 2009 update) were reviewed.

There are a number of enabling statutes in the Revised Code of Washington (RCW) that define governance and funding models for POF service. Key relevant RCW chapters include:

- RCW 35 – Cities and Towns
- RCW 35A – Optional Municipal Code
- RCW 36 – Counties
- RCW 53 – Port Districts
- RCW 81 - Transportation
- RCW 82 – Excise Taxes

With respect to existing statutory authority, five governance models are identified as potential options for KT. Each is described below.

Public Transportation Benefit Area

Public Transportation Benefit Areas (PTBAs) are established as municipal corporations of Washington State. To be authorized to provide POF service the area must have boundaries on the Puget Sound and not already be part of a regional transit authority (RTA) such as Sound Transit. This structure may be the most viable option within the current statutes for KT's POF service because KT is already established as a PTBA (per RCW 36.57A) and has existing statutory authority to develop POF service and seek voter approval for funding. One stipulation is that the PTBA must develop a POF investment plan (which KT is developing under this Business Plan and Long Range Strategy).

The funding provisions available to a PTBA include:

- Motor vehicle excise tax (MVET): MVETs are described in RCW 82.80.130. They are assessed on each vehicle owned by a resident of the PTBA at the time of registration renewal. The tax may be up to 0.4% of the value of the vehicle and may be used solely for POF. Voter approval is required.
- Sales and Use Tax: As described in RCW 82.14.440 and similar to a MVET, the tax may be up to 0.4% of the value of the taxable item, and the tax rate must be approved by voters.
- Tolls/Fares for Passengers and Parking: In addition to ferry fares, cities may lease or convey parking facilities to KT. If KT were to collect use fees for these facilities, the fees could support a bond for POF service without requiring voter approval.
- Charges or Licensing Fees: These charges or fees would be incurred for advertising, space leasing, or other revenue generation. KT could raise funds through advertising and commissions in POF facilities.

Per RCW 36.57A.210 a PTBA is also allowed to enter into contracts and agreements to operate POF service as well as Joint Development Agreements (JDAs) or other contracts to create a Public-Private Partnerships (P3).

It should be noted that KT has been pursuing a statutory modification that would allow the establishment of a POF district within the PTBA and authorize the use of parking taxes. This measure was approved by the House Transportation Committee but stalled in the Rules Committee when consensus on the transportation revenue proposal could not be reached and with concerns regarding the pending need for increased education funding tax sources. KT plans to pursue this measure in the next session.

County Ferry District

Similar to PTBAs, county ferry districts are also established as a municipal corporation by counties that border an otherwise unfordable body of water. Because the KT POF service would cross counties to land at the downtown Seattle terminal, a joint commission between two counties would be required to create a ferry district with the authority to offer that service (RCW 36.54.020). The financial provisions for a County Ferry District include an ad valorem tax (RCW 36.54.130) on all taxable property located in the district that may be imposed without voter approval, an excess tax levy (RCW 36.54.140) that requires voter approval, and bonds and grants that may only be used for the base funding for terminals.

The King County Ferry District, created by a vote of the King County Council as an independent, special-purpose government, operates the King County Water Taxi from downtown Seattle to West Seattle and downtown to Vashon Island. It is funded through an ad valorem property tax of $0.055 cents per $1,000 of assessed value. While initially created as an independent, special-purpose government, it is now in the process of being consolidated into general King County government.

The county ferry district is not judged to be a viable option for KT in that it would require establishment of a new joint ferry commission that may not be favored by King County and would certainly dilute KT's ability to manage the implementation process and likely extend the implementation period.

Port Districts

Port districts are authorized to "acquire, lease, construct, purchase, maintain and operate passenger carrying vessels on Puget Sound" (RCW 53.08.295). Although bonds may be utilized, funding sources are limited. An annual tax levy (RCW 53.36.020) of up to $0.45 per thousand dollars of assessed value may be assessed for "general port purposes". No other financial provisions are provided under this option. There is not a single port district currently within Kitsap whose boundaries encompass all of the potential terminal locations. It is also worth noting that the use of the port district model would require an agreement with the Port of Seattle, as service would enter this port district. Per the RCW, port districts are primarily intended to support industrial development and increased trade.

Transportation Benefit Districts (TBDs)

Per RCW 36.73, TBDs are available to all cities and counties to finance construction and operation of various transportation improvements, including public transit systems. The governing body of the TBD can decide to allow ownership and provision of transit service by a participating port or transit district unless prohibited by law. While POF service is not specifically called out, criteria for selecting improvements include improved travel time, improved air quality, increases in daily and peak period trip capacity, and improved modal connectivity. POF service could be evaluated positively in this framework. TBDs may pursue a wide range of finance provisions, including sales and use tax, motor vehicle license renewal fees, excess property tax levies, roadway tolls, and other special fees. As the code is currently written, all funding options under this model require voter approval when funds are to be used for POF service (RCW 36.73.065).

Public-Private Partnerships (P3)

P3s for transportation projects (including POF) have a rocky history in Washington, but are permitted under RCW 47.29 defining Transportation Innovative Partnerships and specifically for PTBAs under RCW 36.57A.210. The intent of a P3 is for both the public agency and the private partner to share in the risk of the venture through a legal agreement, like a Joint Development Agreement, that details shared investments, managing responsibilities, performance and revenue/cost apportioning. This requires an authorized governance model, like the PBTA, to enter into a funding and operating agreement with a private entity. The New York Water Taxi is an example of a public-private partnership that began service in 2002. The Port Authority of New York and New Jersey owns the operating terminals, which it leases to the private partner. The vessels have space for between 64 and 119 passengers, are heavily marketed for tourism, and are available for private event rentals. Fares are set at rates to allow the private partner to operate at a profit.

More common for Washington public transit agencies is simply to contract with a private contractor for fleet operations or other specific services. Local examples include the Kitsap Transit Foot Ferries (KTFF), King County's Elliot Bay Water Taxi (governed by the King County Ferry District and operated by Argosy Cruises), and Community Transit. By keeping ownership of the capital property, the governing body limits their risk in case the private operator should fail to deliver the contracted services. The governing body may also be able to reduce capital costs through access to public grants and bond programs.

2.2. GOVERNANCE MODELS REQUIRING STATUTORY CHANGES

In addition to the current legislative environment, there are other governance models that could be applicable to KT if statutory changes were made. These include the following:

- **Regional Transit Authority (RTA):** To form, an RTA (like Sound Transit) requires a county council vote of at least two bordering counties with a minimum population of 400,000 each. Per the 2012 United States Census, Kitsap County's population is just short of 255,000. Additionally, the purpose of an RTA is to fund a high-capacity transit system, which it is unlikely that POF would meet that definition. The high capacity transit finance provisions all require voter approval.
- **High Capacity Transportation (HCT) Corridor:** HCT systems are "a system of public transportation services within an urbanized region operating principally on exclusive rights-of-way, and the supporting services and facilities necessary to implement such a system" (RCW 81.104.015). This model requires a county population of greater than 400,000 and a geography adjoining a state boundary. As with the RTA model, Kitsap County and POF service do not meet the current defining criteria for a HCT corridor model. Additionally, all of the funding provisions must be voter approved.
- **City/County Transportation Authority:** Cities or counties may enact their own transportation authorities in certain cases. The Seattle Monorail was a city transportation authority, as is Everett Transit. A county transportation authority may be established to serve populations with special needs; there are only two in the state. Neither of these seems useful or applicable to KT as KT is an established PTBA serving Kitsap County.
- **Other Transportation Authorities:** Outside of Washington, the San Francisco Bay Ferries are operated by the Water Emergency Transportation Authority (WETA). WETA was established in 2008 by state statute to consolidate most municipal ferry service in the region. As part of the consolidation, WETA receives the state funds previously directed towards the individual municipal ferries, as well as municipal, regional and federal subsidies that help to cover capital and operating costs along with fares. Increased tolls for most Bay Area bridges were also enacted in part to fund expansion of ferry service.

  In British Columbia, the SeaBus POF is operated by TransLink, a transportation authority, formed to serve the South Coast British Columbia region. SeaBus is only one element of

TransLink's services, which include buses, SkyTrain and commuter rail. TransLink was formed by the provincial South Coast British Columbia Transportation Authority Act in 1998, and receives funding from fuel taxes and property taxes (along with fares, advertising and property development). TransLink has some authority to raise funding through tax increases.

2.3. SUMMARY OF FINDINGS

Current Washington law provides four governance models enabling POF service: PTBAs, county ferry districts, port districts, and, with some interpretation of the criteria, transportation benefit districts.

- **PTBAs** have the authority to pursue P3 agreements, if desired, and can raise funds through a voter-authorized tax package, either MVET or sales tax or a fare/fee package that does not require voter approval. KT is already qualified as a PTBA and public transportation service provider. The PTBA option appears to be the most straightforward statutory path. Voter approval of a sales or MVET tax would likely be required because it is unlikely that a fare/fee funding package would be sufficient to cover capital and operating cost
- Alternatively, KT could partner with Kitsap County to pursue a **county ferry district**, which may allow assessment of a property tax levy without voter approval. However, POF service to Seattle would also require King County's participation in forming the new ferry district.
- Another possible option could be the formation of a **Transportation Benefit District** through a sponsoring city or Kitsap County. TBDs may be funded through a variety of tax structures, one of which is a $20 vehicle registration charge that does not need to be voter approved.
- Geographically, a single **port district** in Kitsap County does not extend to all of the desired terminal locations. An agreement with the Port of Seattle would be necessary for service into Seattle.
- **Public-private partnerships (P3s)** are another option under which KT could provide the terminal and/or vessel infrastructure, while the private partner would be responsible for raising operating revenue through fares. However, while this approach has been successful for the New York Water Taxi, the resulting fare structure could be too high for daily commuters in Kitsap County. Additionally, if the private partner cannot realize their financial requirements, KT could find itself suddenly without an operator or the taxing authority to resume the service. A possible variation could be a fare subsidy with coordinated bus service, such as was provided by KT for the Port Orchard foot ferry.

The table in Appendix A provides an overview of existing governance models focused on voter authorization requirements for funding options, benefits, and risks. Also included are governance models that will require statutory changes but that KT may wish to further explore. Those considered to be the most viable options are highlighted in yellow, while those deemed not viable are shaded.

3. Funding Sources

KT is developing a business plan and long-range strategy for sustainable passenger-only ferry (POF) service. As part of this process, an assessment of potential local, state, and federal revenue sources available to KT for the provision of new POF service was completed. This report documents the results of this assessment and, for each funding source identified, a description of the source, method for securing, and opportunities and challenges is provided.

3.1. CURRENT KITSAP TRANSIT REVENUE SOURCES

KT is a Public Transportation Benefit Area (PTBA) established by public vote in 1982, as authorized under Chapter 36.57A of the Revised Code of Washington (RCW). KT's service area is contiguous with the boundaries of Kitsap County and includes four incorporated areas as well as rural areas that are not served by public transportation.

As a PTBA, KT is authorized to levy or collect a sales and use tax at a rate of up to 0.9 percent upon voter approval[1] or Business and Occupation (B&O) tax and/or excise tax not to exceed one dollar per month per housing unit upon voter approval.[2] KT currently assesses sales and use tax at a rate of 0.8 percent, or 0.1 percent less than the maximum rate allowed under state law. Over the last three years, sales and use tax revenue accounts for approximately 75 percent of the agency's revenue. KT also generates revenue through passenger fares, state and federal grants, advertising rental income, and other similar proprietary revenues.[3]

It is clear that current revenues available to KT and used for existing public transportation services are not sufficient to provide new POF service.[4] Therefore, the remainder of this document focuses on other local, state, and federal revenue sources that potentially can be used by KT to provide new POF service.

3.2. LOCAL PASSENGER-ONLY FERRY REVENUE SOURCES

The following section outlines potential POF revenue sources that are currently available under Washington State law to KT for the implementation and operation of POF service.[5] These authorized revenue sources are in addition to fare revenue and other miscellaneous revenue that could be generated (e.g., charges or licensing fees for advertising, leasing space for services to ferry passengers, concessional revenue, developer-funded improvements, etc.).

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[1] RCW 82.14.045. The sales and use tax rate for the operation, approved by voters and authorized to fund the maintenance or capital needs of the public transportation system, is authorized in lieu of the B&O and/or excise taxes authorized under RCW 35.95.040.

[2] RCW 35.95.040.

[3] Kitsap Transit Finance Department.

[4] Kitsap Transit General Counsel, "Potential Sources of Funding for Passenger-Only Ferries," March 28, 2013, p.2.

[5] Memo, "Potential Sources of Funding for Passenger-Only Ferries," p. 9. Legislative changes likely are needed to allow a Transportation Benefit District to undertake providing POF. With legislation changes, other potential options could include a Regional Transit Authority, a High Capacity Transportation Corridor (HCT) under the HCT Statute, a Metropolitan Municipal Corporation, and City or County Transportation Authorities (pp. 9-10).

Local Funding Sources Authorized for a Public Transportation Benefit Area

As a PTBA with a boundary located on the Puget Sound, KT is authorized to provide POF service.[6] Prior to introducing such service, the PTBA must develop a POF investment plan that includes elements to operate or contract for the operation of POF services; purchase, lease, or rent ferry vessels and dock facilities for the provision of transit service; and identify other activities necessary to implement the plan, including terminal locations, projected costs and revenues, and demonstration of a nexus between the service and benefit to the residents of the PTBA.[7] To support development and operation of POF service, eligible PTBAs are authorized to leverage additional local revenue to fund POF service,[8] including:

- Sales and use taxes—Sales and use taxes of up to 0.4 percent are authorized upon voter approval to be used solely for the purpose of providing POF service.[9] In 2013, the current sales and use tax levied by KT for public transportation has generated an average of $3.5 million in net revenue per one-tenth of one percent.[10]
- Motor vehicle and excise tax (MVET)—A tax of up to 0.4 percent of the value of most motor vehicles owned by a resident within the taxing district is authorized upon voter approval to be used solely for the purpose of providing POF service.[11]

In addition to the taxes indicated above, PTBAs may also use passenger fares, parking fees, charges for licensing fees and/or leasing space, and other revenue-generating activities to fund the POF investment plan. As a municipal corporation of the state of Washington, a PTBA also has the authority to incur indebtedness and issue bonds.

The PTBA is not limited to choosing between implementing a sales or use tax up to the statutory limit or an MVET up to the statutory limit; some or all may be used to implement the POF investment plan, provided they are used for the benefit of the residents of the PTBA.[12] These revenues sources are very flexible in that they may be used for the capital, operating, or maintenance costs associated with implementing and providing POF service.

Local Funding Sources Authorized for a County Ferry District

The legislative authority of a county may adopt an ordinance creating a county ferry district in all or a portion of the area of the county, including the area within the incorporated limits of any city or town within the county. The ordinance may be adopted only after a public hearing has been held on the creation of a ferry district and the county legislative authority makes a finding that it is in the public interest to create the district. In the event that a body of water is on the boundary line between two counties, the boards of County Commissioners of the adjoining counties may form a joint county ferry district. All costs and expenses of constructing, purchasing, maintaining, and

[6] RCW 36.57A.200.
[7] RCW 36.57A.200.
[8] RCW 36.57A.210.
[9] RCW 82.14.440.
[10] Kitsap Transit Finance Department
[11] RCW 82.80.130. Exemptions apply to vehicles registered under RCW 46.16A.455 with a scale weight more than 6,000 pounds, or to vehicles registered under RCW 46.16A.425,46.17.335, or 46.17.350(1)(c).
[12] RCW 36.57A.210.

operating such a ferry shall be paid by the two counties, each paying a proportion as agreed upon by the boards of County Commissioners.[13]

A (joint) county ferry district is an independent taxing authority.[14] To support development and operation of POF service, County Ferry Districts are authorized to leverage the following local revenue sources for POF service:

- Ad valorem tax—An ad valorem tax rate not to exceed $0.75 per $1,000 of assessed value on all taxable property located in the district may be assessed for counties with populations of less than 1.5 million residents.[15] Regular property taxes collected in Washington State are subject to an annual one-percent maximum increase, which is equivalent to an increase of $10 per $1,000 of assessed property value.[16] Within the 1 percent ($10) limit, the aggregate levy of the state property taxes may not exceed 0.36 percent of the 1 percent total (or $3.60 of the $10 total) and the aggregate total of local "senior" and "junior" taxing districts may not exceed 0.59 percent of the 1 percent total (or $5.90 of the $10 total). The remaining 0.05 percent of the 1 percent limit (or $0.50 of the $10 total) is available for other taxing districts, under which a county ferry district taxing falls.[17] The amount of ad valorem tax revenue a county ferry district in Kitsap County could generate depends on several factors, including the rate assessed, the extent of ferry district boundaries, the value of the assessed property within the district, and the available capacity within the one-percent maximum rate limit.
- Excess levies—A ferry district may impose excess levies upon the property included within the district for a one-year period, to be used for operating or capital purposes whenever authorized by the electors of the district under RCW 84.52.052.[18] The excess levy requires a voter approval of 60 percent, with 40 percent voting in the last general election.[19] The excess levy is not subject to the regular levy's aggregate one-percent rate limits.[20]

A county ferry district may incur general indebtedness and issue general obligation bonds to finance the construction, purchase, and preservation of passenger-only ferries and associated terminals and may retire the indebtedness in whole or in part from the revenues received from the ad valorem tax levy authorized under RCW 36.54.130.[21]

Taxes imposed by a county ferry district may be used for POF capital and operating costs; costs associated with the purchase, lease, or rent of ferry vessels and dock facilities; operation, maintenance, and improvements to ferry vessels and dock facilities; providing shuttle services between the ferry terminal and passenger parking facilities; other landside improvement directly related to providing POF service; and related personnel costs.[22]

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[13] RCW 36.54.030.
[14] RCW 36.54.110.
[15] RCW 36.54.130.
[16] RCW 84.52.043.
[17] RCW 84.52.043(2)
[18] RCW 36.54.140.
[19] Article VII, section 2(a) of the State Constitution.
[20] "A Legislative Guide to Washington State Property Taxes," 2014. http://www.leg.wa.gov/LIC/Documents/EducationAndInformation/Citizens_Guide_to_Property_Taxes.pdf.
[21] RCW 36.54.135.
[22] RCW 36.54.130.

Local Funding Sources Authorized for a Port District

Port districts are special taxing districts created for the purposes of acquisition, construction, maintenance, operation, development, and regulation within the district of harbor improvements, rail or motor vehicle transfer and terminal facilities, water transfer and terminal facilities, air transfer and terminal facilities, or any combination of such transfer and terminal facilities, and other commercial transportation, transfer, handling, storage and terminal facilities, and industrial improvements.[23] Currently, there are 12 port districts located in Kitsap County.[24] Port districts are authorized to provide POF service subject to applicable state and federal laws pertaining to such service.[25] However, unlike PTBAs and county ferry districts, there are no statutorily-authorized dedicated POF funding sources available to port districts.

3.3. STATE PASSENGER-ONLY FERRY REVENUE SOURCES

Through the approval of House Bill (HB) 1853 in 2003, the Washington State Legislature expanded the authority of a PTBA to provide voter-approved local taxes for the explicit provision of funding POF service. This statutory change signaled the Legislature's intent for locally-operated POF ferry service to be funded primarily through local (or federal) revenue sources, allowing State revenue to be dedicated to funding the State vehicle ferry program operated by Washington State Ferries (WSF).[26] In the 10 years since HB 1853 was approved, WSF remains critically underfunded.[27]

For State taxes to be provided to KT for the provision of POF service, WSDOT must typically appropriate State funding in the biennial transportation funding package or supplemental budget bill, which, as with all legislation, is subject to gubernatorial veto. The current widespread State transportation funding deficit, affecting WSF, state and local transportation projects and programs, makes the availability of state funds for local POF service unlikely.

Grants eligible under WSDOT's public transportation consolidated grant program align with the goals of providing assistance to rural communities and paratransit/special needs services and programs. However, WSDOT has established a Regional Mobility Grant program in accordance with RCW 47.66.030 to provide funding to local agencies for projects that promote regional mobility and connectivity. A review of historical projects funded through this grant program indicates that parking facilities, park-and-ride lots, and multimodal connectivity projects to ferry terminal facilities would be strong projects to compete as part of this discretionary grant program. Between 2006 and 2013, the Regional Mobility Grant program has funded approximately $99 million for 45 completed local projects. The average state-funded portion was $2.2 million, with the maximum grant allocation of $8 million.[28] During the FY 07-09 state biennial budget cycle, Kitsap Transit was awarded $2.4 million under this program for the Harper Park and Ride.

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[23] RCW 53.04.010.
[24] Kitsap County Government (http://www.kitsapgov.com/assr/levy/districts.htm#park0).
[25] RCW 53.08.295.
[26] Findings—Intent—2003 c 83: "The legislature finds that passenger-only ferry service is a key element to the state's transportation system and that it is in the interest of the state to ensure provision of such services. The legislature further finds that diminished state transportation resources require that regional and local authorities be authorized to develop, operate, and fund needed services."
[27] WSDOT 2013-2015 Biennial Budget Request (September 2012).
[28] WSDOT Regional Mobility Grant 2013 Annual Report (October 2013).

3.4. FEDERAL PASSENGER-ONLY FERRY REVENUE SOURCES

Similar to other modes of public transportation, POF ferry providers may draw on federal grants and funding programs for assisting with the capital costs of vessels, terminals, landside multimodal connections, parking structures, and other necessary infrastructure to support the POF system, especially for the provision of new service. This section identifies the various federal grant and funding programs available to KT for consideration in developing the POF investment plan and includes:

- Federal-Aid Highway Funding Sources
- Federal-Aid Public Transportation Sources
- Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant Program

Federal-Aid Highway Funding Sources

Certain federal-aid highway funds administered by the Federal Highway Administration (FHWA) are available for POF improvements. The three primary programs for which these funds are available are:

- Surface Transportation Program
- Ferry Boat and Terminal Facilities Construction Formula Program
- Congestion Mitigation and Air Quality Improvement Program

Another fourth federal-aid program, the National Highway Performance Program (NHPP), is designed to fund improvements to the National Highway System (NHS) and, therefore, may be used to fund only vehicular ferry vessels and terminals in specific instances where the ferry provides a link to a designated NHS facility. NHPP funds may not be used for POF improvements.

Surface Transportation Program (STP)

STP funds are considered the most flexible FHWA-administered funding source and can be used for a variety of transportation projects and programs. STP funds may be used for capital improvements to POF vessels and terminal facilities provided the project meets the federal definition of an eligible transit project[29] and is eligible for funding under 23 U.S.C. 129(c), which requires that:

- The ferry facility must not operate in foreign or international waters except for ferry service in Hawaii, Puerto Rico, a U.S. territory, and Alaska and for ferry service between any state and Canada or between Alaska and Washington.
- It must not be feasible to build a bridge, tunnel, or other highway structure in lieu of the ferry.

[29] As defined in Chapter 53 Title 49 U.S.C.

- The operating authority for the ferry must be under the control of the State or another public entity.

In addition to capital improvements to existing ferry facilities and construction of new ferry facilities, cost-effective preventive maintenance activities that extend the useful life of the ferry facility also are eligible.[30] The operational costs of the ferry vessels or terminals, general maintenance, and fuel are not eligible for direct STP funds. In addition, STP funds may be used only for the allocable portion of the facility or vessel receiving federal funding. For leased vessels, STP funds may be used only for the portion of the lease cost associated with providing the vessel, which is viewed as the equivalent capital cost of an outright vessel purchase.[31]

In addition to eligible ferry vessels and terminal facility projects, approach roadways for ferry terminals are eligible for STP funding as a project that accommodates other transportation modes and provides access to the port.[32] The federal share for the STP program is 80 percent, requiring a 20-percent local match.

STP funds are allocated by FHWA to the Washington State Department of Transportation (WSDOT) based on a statutory allocation formula found in 23 U.S.C. 133(d). This formula determines that, of Washington State's net allocation of STP funds (minus funds set aside for State Planning and Research and Transportation Alternatives Program[33]), 50 percent is allocated to the appropriate metropolitan planning organization (MPO) or County lead agency based on the area's relative share of the total state population. Of the remaining 50 percent, WSDOT sets aside a portion for the State bridge program, and the remainder is split between WSDOT and local governments to maintain the policy of providing two-thirds of federal funds to WSDOT and the remaining one-third to local agencies.[34]

Under the metropolitan planning process, the Puget Sound Regional Council (PSRC), in cooperation with WSDOT and local officials, is responsible for prioritizing and selecting the projects to be funded with regional STP funds within King, Pierce, Snohomish, and Kitsap counties. STP funds sub-allocated to each county are prioritized by a countywide forum responsible for coordinating the competitive process to recommend projects to be funded with Kitsap County-allocated STP dollars. Therefore, eligible POF ferry boat and terminal improvement projects will compete with other eligible projects in this four-county region as part of the regional transportation planning and prioritization process, as well as statewide for statewide STP funds sub-allocated outside of the four-county region.

[30] 23 U.S.C. 116(e).
[31] 2 C.F.R. 225 Appendix A, paragraph C.
[32] 23 U.S.C. 133(b)(25) and 23 U.S.C. 142(c). These projects are not subject to the Location of Project requirement in 23 U.S.C. 133133(c); therefore, eligible improvements to local or rural minor collectors are eligible.
[33] The Transportation Alternatives Program (TAP) was authorized under MAP-21 and provides funding for projects defined as transportation alternatives as defined in 23 U.S.C. 101(a)(29), which does not include passenger or vehicular ferry infrastructure (e.g., vessels and terminals) or services.
[34] WSDOT Surface Transportation Program Management.

Ferry Boat and Terminal Facilities Construction Formula Program

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) established a Ferry Boats and Ferry Terminal Facilities discretionary grant program administered by FHWA. This program was continued by subsequent federal transportation funding reauthorizations through FY 2010. This discretionary grant program was eliminated when the most recent federal transportation funding reauthorization, Moving Ahead for Progress in the 21st Century Act (MAP-21), was signed into law on July 6, 2012. Under MAP-21, 23 U.S.C. 147 was amended to provide funding for the construction of ferry boats and ferry terminal facilities by a formula program known as the Ferry Boat and Terminal Facilities Construction Program. As discussed later in this section, a separate discretionary grant program for ferry vessels and terminals is now administered under the Federal Transit Administration (FTA) as part of the Section 5307, Urbanized Area Formula Grant Program.

Under the Ferry Boat and Terminal Facilities Construction Program, FHWA-administered federal-aid highway funds are available, through WSDOT, for the design and construction of POF ferry vessels and for designing, acquiring right-of-way, and constructing POF terminal facilities. Similar to STP and CMAQ funds, POF projects to receive Ferry Boat and Terminal Facilities Construction Program funds must meet the criteria specified under 23 U.S.C. 129(c) to be eligible for funding. Unlike STP funds, approach roadways for ferry terminals are not eligible for funding under this program.

To be eligible for funding under this program, ferry services must be included in the biennial National Census of Ferry Operators conducted by the Research and Innovative Technology Administration's (RITA) Bureau of Transportation Statistics (BTS). The funds are distributed to eligible ferry operators through a formula based on the number of routes miles served by the operation, the number of passengers carried each year, and the number of vehicles carried each year.[35] The federal share for this program is 80 percent, requiring a 20-percent local match.

Although MAP-21, under which this program was created, is set to expire following FY 2014, the FY 2015–2018 federal transportation funding reauthorization proposal allocates a total of $276 million for the Ferry Boat and Terminal Facilities Construction Program during the four-year period.[36]

Congestion Mitigation and Air Quality Improvement (CMAQ) Program

The CMAQ Program was established in 1991 under ISTEA to provide a flexible federal funding source for transportation projects and programs that serve to reduce traffic congestion and improve air quality and that are eligible for funding under 23 U.S.C. 129(c). CMAQ funds are more flexible than STP or Ferry Boat and Terminal Facilities Construction Formula Program funds in that they can be used to fund capital costs as well as limited operating costs for eligible new or expanded transit service.

[35] 23 U.S.C. 147(d).
[36] FHWA FY 2015 Budget (http://www.dot.gov/sites/dot.gov/files/docs/FHWA-FY2015-Budget-Estimates.pdf).

Under MAP-21, federal CMAQ funds are apportioned annually based on the amount appropriated to each state for FY 2009 under the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU).[37] PSRC is responsible for prioritizing and selecting projects to receive CMAQ funds. CMAQ funds must be spent in regions that are classified as non-attainment areas and do not meet national air quality standards for ozone or carbon monoxide. Kitsap County jurisdictions are not eligible to receive CMAQ funds due to the boundaries of the region's air quality maintenance and nonattainment areas.[38] However, based on discussions between PSRC and KT staff, the potential to receive CMAQ funds based on a portion of POF passengers traveling from King County exists.

Federal-Aid Public Transportation Funding Sources

Certain federal public transportation funds administered by FTA are available for POF-related improvements, including:

- Section 5307, Urbanized Area Formula Grant Program
- Section 5309, Capital Investments Grant Program (New Starts/Small Starts Program)
- Passenger Ferry Boat Discretionary Program

Section 5307, Urbanized Area Formula Grant Program

The Urbanized Area Formula Funding program authorized under 49 U.S.C. 5307 makes available federal funding for public transportation capital and planning projects in urbanized areas. Section 5307 funds provide a flexible source for planning and capital projects and can be used to purchase ferry vessels and terminals.

Section 5307 funds may be used only for transit-related projects serving the three federal urbanized areas (UZAs) within PSRC's four-county region. These three urbanized areas are Bremerton, Marysville, and Seattle-Tacoma-Everett. As KT is the only public transit agency in the Bremerton UZA, the agency is responsible for recommending projects to PSRC as part of the project selection and prioritization process.

As a program under Section 5307, the federal share for this program is 80 percent, requiring a 20-percent local match, with exceptions made for acquiring vehicles in compliance with the Clean Air Act (CAA) or Americans with Disabilities Act (ADA) (requiring a 15% match), or for vehicle- or facilities-related improvements attributable to compliance with the CAA or ADA (requiring a 10% match).[39] In recent years, KT has received toll credits from WSDOT for use as the local match portion of federal transportation investment funds.

Section 5307 funds may be used to offset operating costs for urbanized areas. Prior to MAP-21, only urban areas with less than 200,000 in population were eligible for using Section 5307 funds for operating expenses. This eligibility was expanded under MAP-21 by special rule whereby transit systems in urbanized areas with over 200,000 population can now use Section 5307

[37] 23 U.S.C. 104(b)(4). Under SAFETEA-LU, federal CMAQ funds are apportioned annually to each state according to the severity of its ozone and carbon monoxide (CO) levels. The population of each county that is in a nonattainment or maintenance area for ozone and/or CO is weighted by multiplying by the appropriate factor listed in 23 U.S.C. 104(b)(2) (SAFETEA-LU §1103(d)).

[38] 2014 Policy Framework for PSRC's Federal Funds.

[39] FTA Passenger Ferry Grant Program webinar, September 11, 2013.

formula funds for operating expenses. Transit systems operating 75 or fewer buses for fixed-route service in peak service hours may use up to 75 percent of their attributable share of funding for operating expenses, while systems operating between 76 and 100 buses may use 50 percent of their attributable share for operating.[40] According to data from the 2012 National Transit Database (NTD), KT operates 84 vehicles in maximum service. So long as this threshold remains under the 100 maximum bus threshold upon reclassification to a large urbanized area, KT will be eligible to expend up to 50 percent of available Section 5307 funds for operating costs. While this provides KT with more flexibility in how this revenue is spent, use of Section 5307 funds for operating expenses could detract from the total available capital dollars to support POF and other public transportation services. Section 5307 dollars are also a very limited resource and the revenue is currently allocated (and projected to remain allocated) primarily towards funding fixed-route transit service. Therefore, any proposed use of Section 5307 funds for POF service might come to some extent at the expense of bus service. KT is anticipating receiving approximately $2.6 million in Section 5307 funds in FY 2015.[41]

As of the 2010 Census, the population of the Bremerton UZA was just under the 200,000 population threshold (at 198,979 persons) that classifies as a large urbanized area. As a small urbanized area, Section 5307 funds may be used to help offset public transportation operating costs; however, the operating expenses funded under this grant program may not exceed 50 percent of the net project cost.[42] For small urban areas less than 200,000, the formula for the apportionment of Section 5307 funds is based on population and population density. For larger urbanized areas with populations of 200,000 and more, the formula is 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.[43]

Until such time as the Bremerton UZA is reclassified as a large urbanized area, the amount of Section 5307 funds received will not be impacted by providing additional fixed guideway (POF) service, as the funds are distributed based on population and population densities for small urbanized areas. It is anticipated that the reclassification of the Bremerton UZA to a larger urbanized area will result in additional Section 5307 funds and, under the distribution formula for larger urbanized areas, the provision of new POF service may increase KT's allocation of Section 5307 funds under the allocation formula.[44]

Section 5309, New Starts/Small Starts Program (Capital Investments Grant Program)

The Capital Investment Grant Program (more commonly known as the New Starts, Small Starts, and Core Capacity program) administered by FTA under 49 U.S.C. 5309 is one of the largest competitive federal grant programs and is used to fund the construction of new or expanded rail, bus rapid transit (BRT), and ferry systems. Capital Investment funds are awarded on a discretionary basis based on a competitive application process. To be eligible under the Small Starts program, grant requests must be for less than $75 million and the total project cost may not

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[40] 49 U.S.C. 5307(2).
[41] Final Budget/Five-Year Outlook provided in the Transit 101 Report (revised February 11, 2014).
[42] 49 U.S.C. 5307(a)(1)(D) and (d)(2).
[43] FTA Circular 9030.1E, Chapter III.
[44] Kitsap Transit is anticipating a status change to a large urbanized area in 2016, per footnote 10 of the Final Budget/Five-Year Outlook provided in the Transit 101 Report (revised February 11, 2014).

exceed $250 million.[45] Small Starts projects benefit from a project evaluation and rating process that is more simplified than new fixed-guideway capital projects.

Eligible funding for new fixed-guideway capital projects or Small Starts projects includes the acquisition of real property; the initial acquisition of rolling stock (including ferry boats) for the system; and the acquisition of rights-of-way for and relocation of fixed-guideway corridor development for projects in the advanced stages of project development or engineering.[46]

Small Starts projects may use a very simple alternatives analysis process, and the preliminary engineering and final design work is combined into one phase, referred to as Project Development. To be eligible to receive funds, the project must be in PSRC's adopted long range transportation plan,[47] and the applicant must have legal, financial, and technical capacity to carry out the project; satisfactory continuing control over the use of the equipment or facilities; and the technical and financial capacity to maintain new and existing equipment.[48] While the statutory match for Small Starts funding is 80 percent federal and 20 percent local, the historical federal share is 60 percent based on congressional direction.[49] The FY 2015–2018 federal transportation funding reauthorization proposal continues the annual allocation of Section 5309, for a total of $120 million total or $30 million annually during the four-year period.[50]

<u>Passenger Ferry Boat Discretionary Program</u>

Under MAP-21, a portion of the Section 5307 Urbanized Area Formula Grant Program administered by FTA has been set aside to improve and maintain the nation's public ferry systems by providing federal financial assistance for capital projects, including the purchase, replacement, or rehabilitation of ferries, terminals, and related infrastructure, related equipment (e.g., fare technology and communication devices), and infrastructure needs related to expansion. Operating expenses, planning studies, and preventative maintenance are not eligible expenditures.[51]

Under this discretionary program, grant applications are evaluated based on demonstration of need, demonstration of benefits, consistency with local and regional priorities, connectivity to other modes of transportation, project readiness, and technical, legal, and financial capabilities. As a direct recipient of Section 5307 funds, KT is eligible to apply for funds for capital improvements to support POF service that available under this program. As a program under Section 5307, the federal share for this program is 80 percent, requiring a 20-percent local match, with exceptions made for acquiring vehicles in compliance with the CAA or ADA (requiring a 15% match) or for vehicle- or facilities-related improvements attributable to compliance with the CAA or ADA (requiring a 10% match).[52]

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[45] 49 U.S.C. 5309(a)(7).
[46] 49 U.S.C. 5309(b)(1).
[47] 49 U.S.C. 5303 and 5304.
[48] 49 U.S.C. 5309(b)(1).
[49] Source: FTA. The Congressional Conference Report that accompanied the FY 2002 Department of Transportation Appropriations Act instructs that "FTA not to sign any new full funding grant agreements after September 30, 2002, that have a maximum Federal share of higher than 60 percent."
[50] FTA FY 2015 Congressional Notification Final Budget Submission (http://www.dot.gov/sites/dot.gov/files/docs/FTA%20FY%202015%20CJ%20Final%20-%203.26.14.pdf).
[51] 49 U.S.C. 5307; FTA Passenger Ferry Grant Program webinar, September 11, 2013.
[52] FTA Passenger Ferry Grant Program webinar, September 11, 2013.

Although MAP-21, under which this program was created, is set to expire following FY 2014, the FY 2015–2018 federal transportation funding reauthorization proposal continues the annual allocation of $30 million, for a total of $120 million total during the four-year period.[53]

Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant Program

The TIGER Discretionary Grant program, which began in 2009, is allocated through the U.S. Department of Transportation (USDOT) to provide funding for road, rail, transit, and port projects that promise to achieve critical national objectives (safety, economic competitiveness, state of good repair, livability, and environmental sustainability) and not eligible for funding through traditional USDOT programs. USDOT also evaluates projects in regard to economic contribution, innovation, and formation of new partnerships.

Unlike the FHWA- and FTA-administered programs previously discussed, in which funds are allocated primarily through state transportation departments and transit agencies, the TIGER Program has broad eligibility and is competitive, as opposed to formulaic, in nature. TIGER grants can provide capital funding directly to any public entity, including municipalities, counties, port authorities, tribal governments, or MPOs. Of the $4.1 billion allocated through the six rounds (years) of TIGER grants, agencies in Washington State have received approximately $172 million.

TIGER grants can fund projects that have a local match as low as 20 percent of the total project costs. This program is intended to provide federal funding for larger-scale capital projects (between $10 and $200 million) located outside of rural areas.[54] Pursuant to the FY 2014 Consolidated Appropriations Act, no more than 25 percent of the funds (or $150 million) made available in a TIGER grant round may be awarded to projects in a single state.

TIGER grants are highly competitive; the U.S. DOT received nearly 800 applications during the last grant cycle in FY 2014, equating to grant requests totaling $9.5 billion (or more than 15 times the $600 million allotment). In response to the popularity of this program, the USDOT is proposing an increase to the program budget. The agency's FY 2015 budget proposal includes $5 billion (or $1.25 billion annually) over the next four years for an expanded TIGER discretionary grant program.[55]

3.5. SUMMARY OF FINDINGS

Appendix B summarizes the findings of this assessment, highlighting the opportunities and challenges of each local, federal, and state revenue source potentially available to Kitsap County for the provision of POF service.

[53] FTA FY 2015 Congressional Notification Final Budget Submission (http://www.dot.gov/sites/dot.gov/files/docs/FTA%20FY%202015%20CJ%20Final%20-%203.26.14.pdf).
[54] FY 2014 Consolidated Appropriations Act.
[55] U.S. DOT Budget Highlights FY 2015 (http://www.dot.gov/sites/dot.gov/files/docs/BudgetHighlightsFY2015.pdf).

Appendix A

Governance Model Summary Matrix

Note: Those considered to be the most viable options for KT are highlighted in yellow, while those deemed not viable are shaded in grey.

Governance Model	Voter Authorization Required	Statutory Changes Required	Benefits	Risks and Conditions
Public Transportation Benefit Area	Funding via MVETs and Sales and Use Taxes	KT has been pursuing a statutory modification that would allow the establishment of a POF district within the PTBA and authorize the use of parking taxes.	Currently allowed governance model Several funding options (MVETs, sales and use tax, fares, parking fees, licensing/advertising fees) Authority to enter into JDAs for P3	Public subsidy funding options (MVETs and taxes) require voter approval, which has failed for POF service in the past. Investment Plan must be finalized.
County Ferry District	Only for excess property tax levies	None, unless KT wished to pursue as a lead agency (currently restricted to counties).	Can be formed by the county legislative authority without voter approval Ad valorem taxes do not require voter approval	Cross-county transit requires joint commission with King County Ferry District with unknown impacts Would require agreements with Kitsap County as the sponsoring entity and KT leading the implementation. Potential risk for KT to be “on the hook” to provide service without the added leverage of being the governing entity
Transportation Benefit District	None	None required, but could seek to change RCW to enable Kitsap County to act as the sponsoring entity, or to enable a tax collection without voter approval.	Currently allowed governance model Option for up to $20 vehicle registration fee without voter approval	Would require agreements with Kitsap County or a city to act as the sponsoring entity, with KT leading the implementation. Other funding sources currently require voter approval

Governance Model	Voter Authorization Required	Statutory Changes Required	Benefits	Risks and Conditions
Port District	None	None	Currently allowed governance model Bonds available for terminal/facility funding that do not require voter approval	Limited funding sources Would require a sponsoring port(s) district Would likely require agreements with the Port of Seattle Unknown entity, has not been used for the provision of waterborne passenger transit in the region
Public-Private Partnerships	None	None	Shared risk along with shared investments, managing responsibilities, performance, and revenue/cost apportioning Maintained ownership of capital property	Profit requirements for private entity may not be met leaving KT without a service provider Successful models have required higher fare structures than may be feasible/acceptable
Regional Transit Authority	None	Requires a county council vote of at least two bordering counties with a minimum population of 400,000 each. Kitsap County does not meet this threshold. Must provide high capacity transit	N/A – not evaluated because minimum criteria not met	N/A – not evaluated because minimum criteria not met

Governance Model	Voter Authorization Required	Statutory Changes Required	Benefits	Risks and Conditions
High Capacity Transportation Corridor Areas	None	Requires a population of more than 400,000 and adjoining a state boundary	N/A – not evaluated because minimum criteria not met	N/A – not evaluated because minimum criteria not met
City/County Transportation Authority	None	None	N/A – KT is already a PBTA, which makes further evaluation of this option unnecessary	N/A – KT is already a PBTA, which makes further evaluation of this option unnecessary
Water Emergency Transportation Authority	N/A – KT is not attempting to consolidate existing multi-provider services as a emergency management strategy.			
Transportation Authority (e.g., TransLink)	N/A – KT is already a PTBA. Additionally, TransLink was formed by an act of the Canadian legislature with significant taxing authority. This is not seen as a politically viable option in Kitsap County.			

Appendix B

Local, Federal, and State Potential Revenue Sources

	Revenue Source	Eligibility	Allowable Expenditures	Potential Revenue Yield	Assessment
LOCAL REVENUE SOURCE	**Sales and Use Tax – All Transit purposes** (not to exceed a tax rate of 0.9 percent). Reoccurring Revenue Source: YES Dedicated POF Revenue: NO.	Existing PTBA[56]	Capital, operating, and maintenance.	Limited; maximum increase of 0.1 percent allowed under 0.9 percent limit.	**Opportunities:** • Flexible revenue source. • No new legislative authority required. • Potential to be viewed as increase to “existing” as opposed to “new” tax. **Challenges:** • Requires voter approval. • Limited revenue generation. • Potential for being viewed as a reduction of revenue capacity available for bus service
	Sales and Use Tax – POF service (not to exceed a tax rate of 0.4 percent). Reoccurring Revenue Source: YES Dedicated POF Revenue: YES.	Existing PTBA[57]	Capital, operating, and maintenance.	Moderate to high, depending on rate levied; maximum rate could yield approximately $13.2 million annually.	**Opportunities:** • Flexible revenue source. • Potential to yield high revenue. • No new legislative authority required. • Can be used in conjunction with MVET. • Sales tax currently authorized fund local transit service. **Challenges:** • Requires voter approval.

[56] RCW 82.14.045.
[57] RCW 36.57A.200.

	Revenue Source	Eligibility	Allowable Expenditures	Potential Revenue Yield	Assessment
	Motor Vehicle Excise Tax (MVET) (not to exceed a rate of 0.4 percent of the value of most motor vehicles owned by a resident of the taxing district). Reoccurring Revenue Source: YES Dedicated POF Revenue: YES.	Existing PTBA[58]	Capital, operating, and maintenance.	Variable depending on the number and value of motor vehicles purchased.	**Opportunities:** • Flexible revenue source. • No new legislative authority required. • Can be used in conjunction with POF-dedicated sales tax. • Stable source with built-in growth based on generally increasing MSRP valuation. **Challenges:** • Requires voter approval.
LOCAL REVENUE SOURCE	**Ad Valorem Tax** (not to exceed $0.75 per $1,000 of assessed value on all taxable property located in the district). Reoccurring Revenue Source: YES. Dedicated POF Revenue: YES.	County Ferry District[59]	Capital, operating, and maintenance. Costs for providing infrastructure and services to connect ferry terminal to passenger parking facilities also authorized.	Moderate to high, depending on several factors including the geographic boundaries of district, the rate levied, the assessed value of property within the district, and the allowable increase under the one-percent statutory property tax increase limit.	**Opportunities:** • Flexible revenue source. • Potential to yield high revenues. • No voter approval required. • District boundaries can be aligned with receipt of POF service benefits. **Challenges:** • Countywide implementation may impact residents who will not directly benefit from POF service provided. • Implementation within a geographic area limited to most benefit may be viewed as a disproportionate user fee. • Subject to the one-percent limit on property tax increases.

[58] RCW 36.57A.200.
[59] RCW 36.54.130.

	Revenue Source	Eligibility	Allowable Expenditures	Potential Revenue Yield	Assessment
	Excess Property Tax Levy Reoccurring Revenue Source: NO. Dedicated POF Revenue: YES.	County Ferry District[60]	Capital, Operating, Maintenance	Variable, depending rate levied.	**Opportunities:** • Not subject to the one-percent limit on property tax increases. **Challenges:** • Short-term funding source. • Requires voter approval of 60 percent with 40 percent of voters from last general election.
WSDOT	**Regional Mobility Grant Program** Reoccurring Revenue Source: NO. Dedicated POF Revenue: YES, based on needs of specific project.	Awarded on a competitive basis to public agencies for projects that promote regional mobility and connectivity.[61]	Capital.	Variable, depending on available revenue and grant request. Average grant award from 2006-2013 was $2.2 million.	**Opportunities:** • Funding for parking facilities, park-and-ride lots, and multimodal connectivity projects to ferry terminal facilities are likely to be strong projects to compete as part of this discretionary grant program. **Challenges:** • May compete with other local and regional transportation and multimodal projects.

[60] RCW 36.54.140.
[61] RCW 47.66.030.

	Revenue Source	Eligibility	Allowable Expenditures	Potential Revenue Yield	Assessment
FHWA	**Surface Transportation Program (STP)** Reoccurring Revenue Source: NO. Dedicated POF Revenue: YES, based on needs of specific project.	Awarded for projects that meet the federal definition of a transit project.[62])	Capital and cost-effective preventative maintenance.	Variable; allocated locally and regionally by statutory formula. Funds awarded on a competitive regional and county basis.	**Opportunities:** • Does not require any special legislative authority or public vote. • Approach roadways for ferry terminals are eligible. **Challenges:** • Allocated by population-based statutory formula. • Does not fund operating expenses. • May compete with other regional transportation or KT projects. • Historically, smaller portions of STP funds have been allocated for ferry projects.
FHWA	**Construction of Ferry Boat and Ferry Terminal Facilities Program** Reoccurring Revenue Source: YES. Dedicated POF Revenue: YES.	Requires POF service be included in biennial Census of Ferry Operators.[63]	Design and construction of POF ferry vessels; design and acquisition of right-of-way, and construction of POF terminal facilities.	Variable; funds allocated by statutory formula based on service and operating variables.	**Opportunities** • Does not require any special legislative authority or public vote. **Challenges:** • Approach roadways for ferry terminals are not eligible. Does not fund operating expenses.

[62] As defined in Chapter 53 Title 49 U.S.C.
[63] 23 U.S.C. 147(d).

	Revenue Source	Eligibility	Allowable Expenditures	Potential Revenue Yield	Assessment
	Congestion Mitigation and Air Quality (CMAQ) Program Reoccurring Revenue Source: NO. Dedicated POF Revenue: NO.	Eligibility is limited to the portion of ridership from King County, which is located in the regional non-attainment area.[64]	Transportation projects and programs that serve to reduce traffic congestion and improve air quality.	Variable, funds allocated by statutory formula and awarded on a competitive basis in King, Snohomish and Pierce Counties.	**Opportunities:** • Can be used to fund both capital costs and limited operating costs for eligible new or expanded transit service. • Does not require any special legislative authority or public vote. **Challenges:** • KT not eligible for CMAQ funds at this time.
FTA	**Section 5307, Urbanized Area Formula Grant Program** Reoccurring Revenue Source: YES. Dedicated POF Revenue: NO.	Designated small and large urbanized areas.[65]	Capital; limited operating allowed for small urbanized areas or for large urbanized areas operating less than 100 peak fixed-route vehicles.	Low; funds likely dedicated to addressing needs for existing services.	**Opportunities:** • May be used to offset operating costs. • Does not require any special legislative authority or public vote. • Impending reclassification to a large urbanized area likely to increase available funds. **Challenges:** • As a currently designated small urbanized area, new POF service will not increase funds distributed based on population-based formula. • Will directly compete with other KT projects and identified needs.

[64] 2014 Policy Framework for PSRC's Federal Funds states that Kitsap County is outside of the non-attainment area. However, based on discussions between PSRC and Kitsap Transit staff, the potential to receive CMAQ funds based on POF ridership from King County exists.
[65] 49 U.S.C. 5307.

	Revenue Source	Eligibility	Allowable Expenditures	Potential Revenue Yield	Assessment
FTA	**Capital Investments Grant Program (New Starts/Small Starts)** Reoccurring Revenue Source: NO. Dedicated POF Revenue: Yes, based on needs for specific project.	Funds awarded on a competitive basis to local governments and public agencies.[66]	Capital costs of providing new or expanded rail, bus rapid transit, and ferry systems	High; funding for small starts projects may reach $75 million.	**Opportunities:** • Potential to yield high revenue. • Does not require any special legislative authority or public vote. • Simple alternatives analysis process. • Preliminary engineering and final design work is combined into one project development phase. **Challenges:** • May compete with other regional transit needs. • Local match is higher than other federal programs. • Does not fund operating expenses. • Project must be in PSRC's adopted long range transportation plan.
FTA	**Passenger Ferry Boat Discretionary Program** Reoccurring Revenue Source: NO. Dedicated POF Revenue: YES.	Direct recipients of Section 5307 funds.[67]	Capital expansion replacement, or rehabilitation of ferries, terminals, and related infrastructure; related equipment.	Variable, funds awarded on a competitive basis.	**Opportunities:** • Does not require any special legislative authority or public vote. **Challenges:** • Does not fund operating expenses, planning studies, or preventative maintenance.

[66] 49 U.S.C 5309.
[67] 49 U.S.C. 5307; FTA Passenger Ferry Grant Program webinar, September 11, 2013.

	Revenue Source	Eligibility	Allowable Expenditures	Potential Revenue Yield	Assessment
U.S. DOT	**Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant Program** Reoccurring Revenue Source: NO. Dedicated POF Revenue: YES, based on needs for specific project.	Direct funding to any public entity.[68]	Road, rail, transit, and port capital projects that promise to achieve critical national objectives.	High; intended to fund larger scale capital projects between \$10 and \$200 million.	**Opportunities:** • Potential to yield high revenue. • Does not require any special legislative authority or public vote. • U.S. DOT is expanding the TIGER grant program budget significantly over the next four years. **Challenges:** • Does not fund operating expenses. • Annual funding maximums per state; must compete with other regional and state projects. • Highly competitive program with historical grant requests far exceeding allotted budget.

[68] U.S. DOT