



US 191 Corridor Study
Four Corners to Beaver Creek



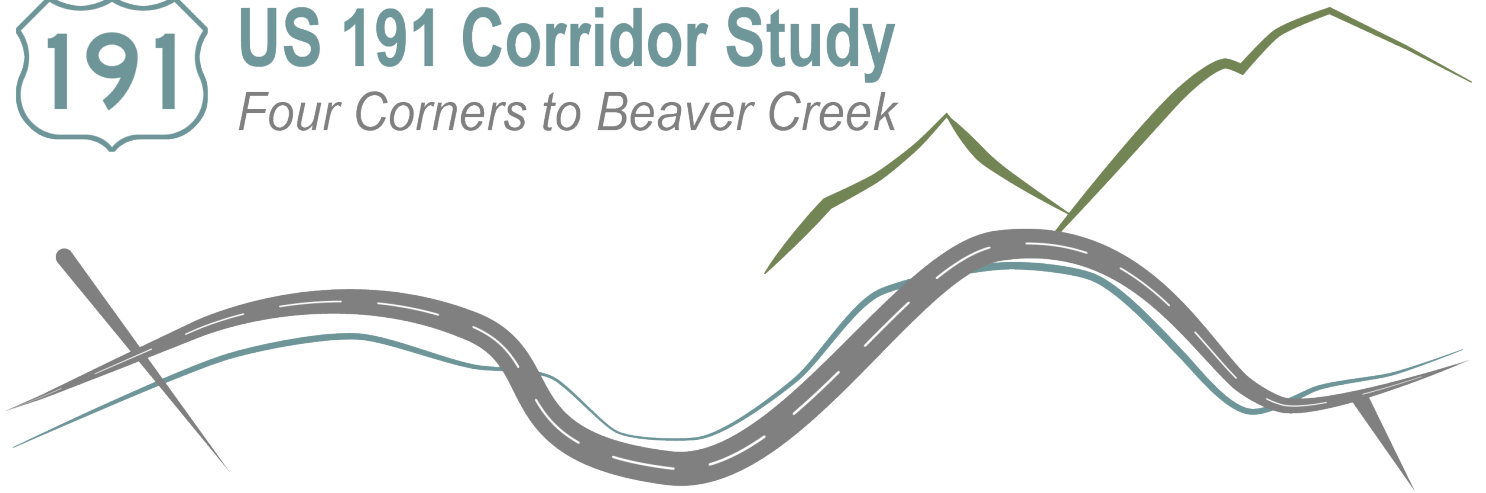
APPENDIX 5:

Funding Mechanisms



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Funding Mechanisms

Technical Memorandum

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**Montana Department
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TABLE OF CONTENTS

Table of Contents	i
1.0. Potential Funding Sources	1
1.1. Federal Funding Sources	1
1.1.1. <i>National Highway Performance Program</i>	1
1.1.2. <i>Transportation Alternatives Program</i>	2
1.1.3. <i>Highway Safety Improvement Program</i>	2
1.1.4. <i>Federal Lands Access Program</i>	3
1.1.5. <i>Transit Funding</i>	3
1.2. State Funding Sources	4
1.2.1. <i>State Fuel Tax</i>	4
1.2.2. <i>State Special Revenue/State Funded Construction</i>	5
1.3. Local Funding Sources	5
1.3.1. <i>Road Fund</i>	5
1.3.2. <i>Bridge Fund</i>	6
1.3.3. <i>Special Revenue Funds</i>	6
1.4. Private Funding Sources	6

Funding Mechanisms

1.0. POTENTIAL FUNDING SOURCES

MDT administers multiple programs funded from state and federal sources. Each year, in accordance with MCA 60-2-127, the Montana Transportation Commission allocates a portion of available federal-aid highway funds to projects located on state roadway systems as described in this chapter.

1.1. Federal Funding Sources

The following is a summary of major federal transportation funding categories received by the state, including state developed implementation/sub-programs that may be potential funding sources for projects. In order to receive project funding under these programs, projects must be included in the Statewide Transportation Improvement Program (STIP).

1.1.1. National Highway Performance Program

The National Highway Performance Program (NHPP) provides funding for the NHS, including the Interstate and designated bridges. The purpose of this program is to provide an interconnected system of principal arterial routes serving major population centers, international border crossings, ports, airports, public transportation facilities, and other major travel destinations; meet national defense requirements; and service interstate and interregional travel. The NHS includes all Interstate routes, a large percentage of urban and rural principal arterials, the defense strategic highway network, and strategic highway connectors. The NHPP is divided into three categories based on system type: Interstate Maintenance (IM), National Highway System [Non-Interstate] (NH), and National Highway System Bridge Program (NHPB). US 191 is not part of the Interstate system and is therefore not eligible for IM funds.

- The **NH** Program finances highway and bridge projects to rehabilitate, restore, resurface, and reconstruct Non-Interstate NHS routes.
- The **NHPB** finances construction, replacement, rehabilitation, preservation and protection projects on NHS bridges (Interstate and Non-Interstate).

Funding

NHPP funds are federally apportioned to Montana and allocated based on system performance by the Montana Transportation Commission. The federal share for Non-Interstate NHS projects is 86.58% and the state of Montana is responsible for the remaining 13.42%. The state share is funded through the Highway State Special Revenue Account (HSSRA).

Program Eligibilities

Activities eligible for NHPP funding include construction, reconstruction, resurfacing, restoration and rehabilitation of segments of the NHS roadway; construction, replacement, rehabilitation, preservation and protection of NHS bridges; and projects as part of a program supporting national goals for improving infrastructure condition, safety, mobility, or freight movements on the NHS. Operational improvements, as well as highway safety improvements, are also eligible. Other miscellaneous activities that may qualify for NHPP funding include bikeways and pedestrian walkways, environmental mitigation, restoration and pollution control, infrastructure-based intelligent transportation system, traffic/traveler monitoring and control, and construction of intra- or intercity bus terminals serving the NHS.

Project Selection

The Montana Transportation Commission approves NHPP apportionment to the statewide program. NHPP funds are distributed throughout the financial districts based solely on need and not by a financial district law. However, consideration is given to balancing needs against existing and future construction manpower then distributing the funds using the MDT Performance Programming Process.

1.1.2. Transportation Alternatives Program

The FAST Act provides funding to the Transportation Alternatives (TA) program via a set-aside from the STP. The TA program aids local governments, tribal entities, transit providers, resource agencies, and/or school districts for community improvements deemed eligible to receive TA funding. MDT solicits proposals from eligible entities for construction projects, ranks each proposal, and advances the highest priorities within the limits of available TA funding.

Funding

Projects are awarded through a competitive process with the federal share at 86.58% and the state/local match at 13.42%. MDT follows its standard match policies for programs it administers, which is to provide the match for all on-system projects through the HSSRA. Off-system projects outside of reservation lands are required to provide a local match of 13.42%.

Program Eligibilities

Eligible activities include smaller-scale transportation projects such as pedestrian and bicycle facilities, recreational trails, safe routes to school projects, community improvements such as historic preservation and vegetation management, and environmental mitigation related to stormwater and habitat connectivity.

Project Selection

Per the FAST Act, TA funds must be obligated through a competitive process. Funding will be allocated to improvements in areas consistent with the FAST Act: 25%-areas with population over 5,000; 25%-areas with population under 5,000; and 50%-available for use in any area of the state.

1.1.3. Highway Safety Improvement Program

The FAST Act's Highway Safety Improvement Program (HSIP) is a funding category that helps states implement a data-driven and strategic approach to improving highway safety on all public roads. In Montana, the primary focus of the HSIP program involves identifying locations with crash trends where feasible countermeasures exist and prioritizing work according to benefit/cost ratios. However, MDT also advances systemic improvements such as rumble strip projects, curve signing and wrong-way warnings to address safety issues at the network level.

Funding

The federal share for this program is 90% with the state contributing 10% matching funds.

Program Eligibilities

Any highway safety improvement project on any public road or publicly owned bicycle or pedestrian pathway or trail is eligible for HSIP funding. Examples of projects addressed with these funds include signing, striping, delineation, guardrail installation, slope flattening, intersection improvements, and roadway realignment.

Project Selection

After MDT receives the applications from local road agencies, the Safety Engineering Section develops an annual list of priorities according to a benefit/cost ratio analysis. MDT then develops a

program for improvements subject to availability of funds and a benefit/cost ratio greater than 1.0. The Transportation Commission approves the list of safety improvement projects.

1.1.4. Federal Lands Access Program

The objective of the Federal Lands Access Program (FLAP) is to improve access to federal lands and their resources via improvements to infrastructure elements (primarily roadways) that are outside the jurisdiction of the federal government (including state highways and local routes).

Funding

FLAP funds are federally apportioned to Montana by formula based on recreational visitation, federal land area, federal public road mileage, and the number of federal public bridges. The federal share is 86.58% and the remaining 13.42% is the responsibility of the matching entity (e.g., state, local government).

Program Eligibilities

All public roadways are eligible as long as (1) the roadway jurisdiction (or maintenance) is by a state government, local government, or tribal government, and (2) the route provides direct access to or runs adjacent to federal lands.

Project Selection

Project nominations are evaluated by the Program Decisions Committee which includes representatives from the Western Federal Lands Highway Division (representing all federal land management agencies), MDT, and the Montana Association of County Officials. The Program Decisions Committee selects projects for advancement and prioritizes future work based on group consensus.

1.1.5. Transit Funding

Funding programs for transit operations and public transportation projects are described below.

1.1.5.1. Section 5311 Formula Grants for Rural Areas

The goals of the Section 5311 – Formula Grants for Rural Areas are to:

- Enhance the access of people in rural areas
- Assist in the maintenance, development, improvement, and use of public transportation systems in rural and small urban areas
- Encourage coordination of programs and services
- Support job access and reverse commute projects
- Assist in the development and support of intercity bus transportation
- Provide for the participation of private providers in rural transportation to the maximum extent feasible

Funding

Funding amounts fluctuate each year, but the estimated funding is approximately \$10.3 million annually. Operating assistance is broken into three categories: operating (ratio of 54.11% / 45.89%), administration (ratio of 80% / 20%), and maintenance (ratio of 80% / 20%). Capital assistance is funded at a ratio of 86.56% / 13.42%.

Program Eligibilities

Rural Montana transit agencies and small urban areas receive funds from the Federal Transit Administration (FTA) through MDT. Eligible recipients include local public bodies, private nonprofit organizations, tribal governments, and operators of rural public transportation services.

Section 5311 funds are available for expenditure for public transportation projects in rural areas. Section 5311 services may be designed to maximize usage by members of the general public who are transportation disadvantaged including elderly persons and persons with disabilities.

Project Selection

This program is an annual application by the MDT Rail, Transit and Planning Division to the FTA.

1.1.5.2. Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities

The purpose of Section 5310 Program is to provide assistance for enhanced mobility of seniors and individuals with disabilities in all urbanized, small urban, and rural areas. The program seeks to enhance coordination of federally assisted programs and services to encourage the most efficient use of federal resources and achieve the national goal of improved mobility.

Funding

Grants are funded 80% federal and 20% local match. For Americans with Disabilities Act and/or Clean Air Act projects, grants are funded at 85% federal and 15% local match. Montana receives approximately \$800,000 annually from the FTA.

Program Eligibilities

The Section 5310 program requires projects to be derived from a locally developed, public transit-human services transportation plan. Eligible applicants in the following three categories must apply through the lead agency in their community.

- Private nonprofit organizations having been exempted by statute under Section 501(c) of the Internal Revenue Code;
- Public bodies that certify to the state that no nonprofit corporations or associations are readily available in an area to provide the service; and
- Public bodies approved by the state to coordinate services for elderly persons and persons with disabilities.

Project Selection

An annual application is submitted by the MDT Rail, Transit and Planning Division to the FTA. Applications are scored and prioritized based on application content and applicant's needs.

1.2. State Funding Sources

1.2.1. State Fuel Tax

The State of Montana assesses a tax of \$0.32 per gallon on gasoline and \$.2945 on special fuel including biodiesel used for transportation purposes. According to state law, each incorporated city and town within the state receives an allocation of the total tax funds based upon the following:

- 1) the ratio of the population within each city and town to the total population in all cities and towns in the state, and
- 2) the ratio of the street mileage within each city and town to the total street mileage in all incorporated cities and towns in the state (the street mileage is exclusive of the NHS and Primary Systems).

State law also establishes that each county be allocated a percentage of the total tax funds based upon the following:

- 1) the ratio of the rural road mileage in each county to the total rural road mileage in the state, (the street mileage is exclusive of the NHS and Primary Systems);
- 2) the ratio of the rural population in each county outside incorporated cities and towns to the total rural population in the state outside incorporated cities and towns; and
- 3) the ratio of the land area in each county to the total land area of the state.

For state FY 2020, Gallatin County received \$344,659 in state fuel tax funds. The amount varies annually.

All fuel tax funds allocated to the city and county governments must be used for the construction, reconstruction, maintenance, and repair of rural roads or city streets and alleys. The funds may also be used for the share that the city or county might otherwise expend for proportionate matching of federal funds allocated for the construction of roads or streets that are part of the primary, secondary, or urban systems. Priorities for the use of these funds are established by each recipient jurisdiction.

1.2.1.1. Bridge and Road Safety and Accountability Act

Effective July 1, 2017, House Bill 473, the Bridge and Road Safety and Accountability Act (BaRSAA) increased Montana's fuel tax rate incrementally to \$0.33 per gallon for gasoline and \$0.2975 per gallon for special fuel through July 1, 2023.

The increased fuel taxes are deposited into a BaRSAA Restricted Account. After reductions for initial distributions that include refunds, distributor payments, and non-highway fuel uses, MDT receives 35% of the taxes while the remaining 65% is allocated to local governments. For state FY 2020, Gallatin County received \$389,003 in BaRSAA funds. The amount varies annually.

1.2.2. State Special Revenue/State Funded Construction

The State Funded Construction Program, which is funded entirely with state funds from the HSSRA, provides funding for projects that are not eligible for federal funds. This program is totally state funded, requiring no match. This program funds projects to preserve the condition and extend the service life of highway. Eligibility requirements are that the highways be maintained by the state. MDT staff nominates the projects based on pavement preservation needs. The Districts establish priorities and the Montana Transportation Commission approves the program.

1.3. Local Funding Sources

Local governments generate revenue through a variety of funding mechanisms. Typically, several local programs related to transportation exist for budgeting purposes and to disperse revenues. These programs are tailored to fulfill specific transportation functions or provide particular services. The following summarizes programs that could be used to finance transportation improvements by the county.

1.3.1. Road Fund

The County Road Fund provides for the construction, maintenance, and repair of all county roads outside the corporate limits of cities and towns in Gallatin County. Revenue for this fund comes from intergovernmental transfers (i.e., state gas tax apportionment and motor vehicle taxes) and a mill levy assessed against county residents living outside cities and towns.

County Road Fund monies are used primarily for maintenance with little allocated for new road construction. Projects eligible for financing through this fund will be competing for available revenues on a countywide basis.

1.3.2. Bridge Fund

The Bridge Fund provides financing for engineering services, capital outlays, and necessary maintenance for bridges on all off-system and secondary routes within the county. These monies are generated through intergovernmental fund transfers (i.e., vehicle licenses and fees), and a countywide mill levy. There is a taxable limit of four mills for this fund.

1.3.3. Special Revenue Funds

Special revenue funds may be used by the county to budget and distribute revenues legally restricted to a specific purpose. Several such funds that benefit the transportation system are discussed briefly below.

1.3.3.1. Capital Improvements Fund

This fund is used to finance major capital improvements to county infrastructure. Revenues are generated by loans from other county funds and must be repaid within ten years. Major road construction projects are eligible for this type of financing.

1.3.3.2. Rural Special Improvement District Revolving Fund

This fund is used to administer and distribute monies for specified Rural Special Improvement District projects. Revenue for this fund is generated primarily through a mill levy and motor vehicle taxes and fees. A mill levy is assessed only when delinquent bond payments dictate such an action.

1.3.3.3. Special Bond Funds

The county may establish a fund of this type on an as-needed basis for a particularly expensive project. The voters must approve authorization for a special bond fund. The county is not currently using this mechanism.

1.3.3.4. Specialized Transportation Fund

This type of fund may be established to supplement the cost of transit service to disabled or low-income county residents.

1.4. Private Funding Sources

Private financing of roadway improvements in the form of right of way donations and cash contributions has been successful for many years. In recent years, the private sector has recognized that better access and improved facilities can be profitable due to increased land values and commercial development possibilities. Several forms of private financing for transportation improvements used in other parts of the United States are described in this section.

1.4.1.1. Cost Sharing

The private sector pays some of the operating and capital costs for constructing transportation facilities required by development actions.

1.4.1.2. Transportation Corporations

These private entities are non-profit, tax-exempt organizations under the control of state or local government. They are created to stimulate private financing of highway improvements.

1.4.1.3. Road Districts

These are areas created by a petition of affected landowners, and they enable issuance of bonds for financing local transportation projects.

1.4.1.4. Private Donations

The private donation of money, property, or services to mitigate identified development impacts is the most common type of private transportation funding. Private donations are effective in areas where financial conditions do not permit a local government to implement a transportation improvement itself.

1.4.1.5. General Obligation Bonds

The sale of general obligation (G.O.) bonds could be used to finance a specific set of major highway improvements. A G.O. bond sale, subject to voter approval, would provide the financing initially required for major improvements to the transportation system. This funding method is advantageous because when the bond is retired, the obligation of the taxpaying public is also retired. State statutes limiting the level of bonded indebtedness for cities and counties restrict the use of G.O. bonds. The present property tax situation in Montana, and recent adverse citizen responses to proposed tax increases by local government would suggest that the public may not be receptive to the use of this funding alternative.

1.4.1.6. Local Improvement District

This funding option is applicable to counties wishing to establish a local improvement district for road improvements. While similar to a Rural Special Improvement District, this funding option is more streamlined, thus benefiting counties.

1.4.1.7. Development Exactions/Impact Fees

Exaction of fees or other considerations from developers in return for allowing development to occur can be an excellent mechanism for improving the transportation infrastructure. Developer exactions and fees allow growth to pay for itself. The developers of new properties have to provide at least a portion of the added transportation system capacity necessitated by their development, or to make some cash contribution to the agency responsible for implementing the needed system improvements.

Establishment of an equitable fee structure would be required to assess developers based on the level of impact to the transportation system expected from each project. Such a fee structure could be based on the number of additional vehicle trips generated, or on a fundamental measure such as square footage of floor space. Once the mechanism is in place, all new development would be reviewed by the local government, and fees could be assessed accordingly.