

Funding Sources for the Statewide Pedestrian Master Plan

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DATE: July 28, 2011

Introduction

The pedestrian projects in the Statewide Pedestrian Master Plan (Plan) are located adjacent to or on highway facilities owned by the State Department of Transportation. Many of the areas of concern and subsequent projects can be implemented when highways are upgraded, reconstructed, or otherwise improved. Pedestrian projects can also be included in other projects such as safety, preservation, capacity, or congestion activities or as stand alone capital improvement projects.

There are a variety of potential funding sources including local, State and Federal funding programs that can be used for pedestrian improvements. Most of these programs are competitive and some can involve the completion of extensive applications with a clear documentation of the project need, costs and benefits. Described below are funding sources and mechanisms available in Hawaii.

Federal Funding Sources

Federal Highway Trust Fund

Federal Highway trust fund allocates revenue to states through the Federal-aid highway program. The revenues are apportioned to states based on a formula process that provides capital funding for the Nation's most heavily used roads, maintaining interstates, and fixing bridges. The Federal-aid highway program directs states to establish a classification of roads, based on function, so that roadways can be improved appropriately as funding opportunities arise. Revenues come from motor vehicle fuel taxes, sales taxes for heavy trucks and trailers, tire taxes, and annual heavy truck use taxes. Revenues are split into two accounts: the highway account and the transit account. Funds are appropriated to individual states on an annual basis under the current surface transportation legislation, the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Authorization to use the Federal Highway Trust Fund, under SAFETEA-LU, expired on September 29, 2009. Since then, continuances have been used to support federal transportation funding in the absence of a new federal transportation funding bill.

Programs funded under SAFETEA-LU, and relevant to this plan, include the Surface Transportation Program (STP) and Safe Routes to School. The Transportation Enhancement

(TE) Program is funded by states setting aside a portion of the STP budget. Federal funds must be matched with state and local funds.

To receive funds from the Federal Highway Trust Fund, projects must be included in Hawaii's Statewide Transportation Improvement Program (STIP). Specific programs and grants through which these funds are allocated are described in the State Funding Sources section of this document.

Surface Transportation Program (STP)

STP funds are distributed based on apportionment consistent with the Highway Trust Fund. The program provides flexible funding that may be used by states and localities for projects on any federal-aid highway, including the National Highway System, bridge projects on any public road, transit capital projects, and intracity and intercity bus terminals and facilities. It can be used for a broad array of highway purposes and flexibly used for major transit purposes as well.

In addition to funding motorized transportation, it provides funds for independent bicycle and pedestrian projects. Between 1992 and 2004, STP funds provided 9% of total bicycle- and pedestrian-related funding by program type, and received \$3.9 million.

The Federal share is generally 80 percent, subject to a sliding scale adjustment. If the funds are used for Interstate projects to add high occupancy vehicle or auxiliary lanes, but not other lanes, the Federal share may be increased to 90 percent. Certain safety improvements qualify for a Federal share of 100 percent. Any remaining match must be provided locally by HDOT, the City, County, or another State Department.

Transportation Enhancement (TE) Program

TE funds are also distributed based on apportionment formulas. This program encourages the pursuit of cultural, aesthetic and environmental aspects of the surface transportation system. Funding is provided through FHWA's STP. Ten percent of STP's funding apportionment is specifically directed to transportation enhancement activities.

HDOT receives approximately \$3.7 million per year in federal funds for TE efforts statewide.

TE eligible projects relevant to the Plan include:

- Provision of facilities for pedestrians and bicycles
- Provision of safety and educational activities for pedestrians and bicyclists

TE funding provides up to 80% of the project cost. The remaining 20% match must be provided locally by HDOT, or a City, County, or State Department. Funding applications must meet eligibility, funding, and management requirements, and are submitted to HDOT to be funded. TE projects must be included in the STIP.

Safe Routes to School Program

Safe Routes to School Program funds are distributed to states in conjunction with regular Federal-aid highway apportionments. This funding empowers communities to make bicycling and walking to school a safe and routine activity. Eligible activities include

planning, design, and construction of projects that will substantially improve the ability of students to walk and bike to school. These include sidewalk improvements, traffic calming and speed reduction improvements, pedestrian and bicycle crossing improvements, on-street bicycle facilities, off-street bicycle and pedestrian facilities, secure bike parking, and traffic diversion improvements in the vicinity of schools (within approximately two miles). Such projects may be carried out on any public road or any bicycle or pedestrian pathway or trail in the vicinity of schools.

Each state must set aside from its Safe Routes to School apportionment not less than 10 percent and not more than 30 percent of the funds for non-infrastructure-related activities to encourage walking and bicycling to school. These include public awareness campaigns and outreach to press and community leaders; traffic education and enforcement in the vicinity of schools; student sessions on bicycle and pedestrian safety, health, and environment; and training of volunteers and managers of Safe Routes to School programs. The Hawaii Safe Routes to School program is managed by the State Department of Transportation and includes a statewide budget in 2011 of \$1 million.

Highway Safety Improvement Program (HSIP)

The Highway Safety Improvement Program is another funding source distributed based on apportionment to states. HSIP is a component of the FHWA Federal Aid Program. It provides improvements in areas characterized by high accident frequencies. The program also funds grants for safety related education and public outreach programs.

The Federal share is 90 percent, except that the Federal share is 100% for certain safety improvements listed in 23 USC 120(c).

National Highway Traffic Safety Administration (NHTSA)

NHTSA was established by the Highway Safety Act of 1970 to carry out safety programs previously administered by the National Highway Safety Bureau. Specifically, the agency directs the highway safety and consumer programs established by the National Traffic and Motor Vehicle Safety Act of 1966, the Highway Safety Act of 1966, the 1972 Motor Vehicle Information and Cost Savings Act, and succeeding amendments to these laws. NHTSA focuses on achieving highest standards in motor vehicle and highway safety. It provides grants for efforts related to its program areas. NHTSA's pedestrian safety programs are directed toward reducing pedestrian injuries and fatalities, improving the safety of elderly pedestrians, and reaching diverse communities through education, enforcement, and outreach. HDOT obtains approximately \$1.5 to 2.0 million a year through the Highway Safety Grant program. Some of these funds are used to sponsor the Walk Wise Hawaii Program.

Recreational Trails Program

This program provides funds to states to develop and maintain recreational trails and trail-related facilities for both non-motorized and motorized recreational trail uses. Federal transportation funds benefit recreation including hiking. This funding source may not fund many of the improvements included in the Plan. Locally, the funds received for the Recreational Trails Program is passed directly on to the Department of Land and Natural Resources (DLNR).

New Freedom Initiative

SAFETEA-LU created a new formula grant program that provides capital and operating costs to provide transportation services and facility improvements that exceed those required by the Americans with Disabilities Act. Funds are apportioned depending on the ratio of individuals with disabilities in the project area, and cover up to 80 percent of project costs; a local match is required for the remaining 20 percent. Examples of pedestrian/accessibility projects funded in other communities through the New Freedom Initiative include installing Accessible Pedestrian Signals (APS), enhancing transit stops to improve accessibility, and establishing a mobility coordinator position. Other eligible improvements include mid-block and high-visibility crossing improvements.

Congestion Mitigation and Air Quality Improvement Program (CMAQ)

The CMAQ program supports transportation projects or programs that will improve air quality and relieve congestion in areas that do not meet National Ambient Air Quality Standards. Additionally the CMAQ program issues flexible funds allocated to each state even if there are no non-attainment areas, similar to STP funds. Reducing pollution and other adverse environmental effects of transportation projects and transportation system inefficiency have been long-standing DOT objectives. CMAQ funds may be used to establish new or expanded transportation projects or programs that reduce emissions, including capital investments in transportation infrastructure, congestion relief efforts, and diesel engine retrofits. Other CMAQ projects include bicycle/pedestrian facilities and programs.

Transportation and Community and System Preservation Program (TCSP)

This program is different than the previous programs and funding sources, because it distributes discretionary funds, usually earmarked by Congress, and may be used to carry out eligible projects to integrate transportation, community, and system preservation plans and practices that improve the efficiency of the transportation system of the United States; reduce the impacts of transportation on the environment; reduce the need for costly future investments in public infrastructure; provide efficient access to jobs, services, and centers of trade; examine community development patterns; and identify strategies to encourage private-sector development. Innovative projects including bicycling, walking and traffic calming are eligible for funding.

Community Development Block Grant (CDBG)

The CDBG program provides money from the US Department of Housing and Urban Development (HUD) for streetscape revitalization, which may be largely comprised of pedestrian improvements. Federal CDBG grantees may “use Community Development Block Grants funds for activities that include (but are not limited to): acquiring real property; reconstructing or rehabilitating housing and other property; building public facilities and improvements, such as streets, sidewalks, community and senior citizen centers and recreational facilities; paying for planning and administrative expenses, such as costs related to developing a consolidated plan and managing Community Development Block Grants funds; provide public services for youths, seniors, or the disabled; and initiatives such as neighborhood watch programs.” Locally, the CDBG program is run through the Community-Based Development Grants Program, which is administered by the

Community-Based Development Advisory Council within the Department of Business, Economic Development and Tourism (DBEDT).

State Funding Sources and Funding Mechanisms

The following are existing or potential funding sources and funding mechanisms at the local level that can be used to implement some of the Plan projects or other pedestrian-related projects.

State Highway Fund

The State Highway Fund is used to fund transportation projects in the State of Hawaii. These funds pertain to aviation, harbor and land transportation projects. The four primary revenue sources for the Highway Fund are the gas tax, rental car tax, vehicle weight tax, and vehicle registration fee.

Gas Tax

The revenues from fuel taxes are distributed to several special funds. Fuel taxes paid on liquid fuel sold for use in or used for small boats are deposited into the Boating Special Fund. Fuel taxes paid on sales of aviation fuel are deposited into the Airport Revenue Fund. Environmental response tax collections are deposited into the Environmental Response Revolving Fund, which is administered by the Department of Health for oil spill prevention and remediation programs.

The remaining State fuel tax revenues are deposited into the State Highway Fund, while the remaining county fuel tax revenues are deposited into the respective county's highway fund. The state increased the per gallon fuel tax from \$0.17 to \$0.27 in 2011.

Rental Car Tax

Currently the car rental tax is \$5 a day and can only be legally used to support airport-related projects. An increase was approved in April to help address the state's budget deficit. Plan

Vehicle Weight Tax and Vehicle Registration Fees

These taxes and fees are administered and collected by the counties and deposited into the State Highway Fund. The counties collected \$63.3 million in State motor vehicle weight taxes and registration fees in fiscal year 2009.

State and County General Fund

The State and County general fund is the fund that is used to account for all transactions which are not accounted for by another fund. General fund appropriations can be used to fund transportation projects, but typically are not. In past years, the state has not used the general fund to fund any transportation capital or maintenance projects. The majority of the state's general fund goes to education and social services.

Government Obligation Bonds

Bonding allows state, municipal, and county governments to finance construction projects by borrowing money and paying it back over time (with interest). Financing costs with

bonds requires funding to pay back borrowed funds. Financing requires smaller regular payments over time compared to paying the full cost at once; however, financing increases the total cost by adding interest.

There are two types of Government Obligation Bonds: General Obligation Bonds and Revenue Bonds.

General Obligation Bonds are often used to pay for construction of large capital improvements. This method is typically used to fund road improvements that will benefit an entire community. General Obligation Bonds add the cost of the improvement to property taxes over a period of time. A majority vote of members of the Legislature is required at the state level to authorize the issuance of all general obligation bonds issued by the State. Counties are also able to issue general obligation bonds in Hawaii. Revenue for General Obligation Bonds is collected in property tax billings.

Revenue Bonds are repaid with dedicated revenue from a source other than property taxes. Revenues from a Systems Development Charge, Local Improvement District, or other reliable revenue streams can be used. Revenue bonds are typically used to fund improvements that primarily benefit the people who provide the revenue through fees and assessments.

Local Funding Mechanisms

Improvement District (District)

A District is created by an ordinance and voted on by property owners within a defined district to raise revenues for constructing street improvements within that district. Districts may be used to assess property owners for improvements that benefit properties within the district boundary and are secured by property liens. Property owners typically enter into Districts because they see economic or personal advantages to the improvements. Local jurisdictions generally work with property owners to acquire financing at lower interest rates than under other financing methods.

The formation of Districts is governed by State law and local jurisdictional development codes. Districts can vary considerably in the size of the district. District revenues are used solely for capital costs, and can be combined with other revenue sources to fully fund improvement costs. An example of a Special Improvement District in the City and County of Honolulu is the Fort Street Mall special improvement district no. 2.

Parking Fees and Fines

Increasing existing or implementing new parking fees and fines are a potential source of funding for pedestrian improvements in the transportation network. Generally, improvements are restricted to the areas where the fees and fines are collected to improve the immediate area where funds are collected. Sometimes parking districts are implemented to help organize the parking fees and fines.

The city of Pasadena, California generated revenue in this way by establishing the “Old Pasadena Parking Meter Zone” in 1993. Prior to establishment of this zone, curbside parking was free in old Pasadena and only restricted by a 2-hour time limit that was rarely enforced. Patrons of businesses in old Pasadena frequently reported difficulty finding parking spaces.

In addition, sidewalk amenities and landscaping features were older and not well maintained. The Old Pasadena Parking Meter Zone included metered parking spaces that were initially priced at \$1 per hour and were specifically labeled to indicate to travelers that all revenue generated from the parking meters would be used to improve infrastructure in old Pasadena. The revenue generated from the parking meters was used to finance a bond that provided \$5 million of pedestrian and bicycle improvements and landscaping in old Pasadena in the mid-1990s. As of the early 2000s, the bond had been paid off and the parking zone has generated additional revenue that was then fed back into Pasadena.¹

Tax Increment Financing (TIF)

Urban Renewal Areas (URAs) are formed in selected areas creating a tax-increment financing (TIF) mechanism to generate urban renewal funds. The county has governing authority over the TIF, and state statute requires a Project Plan and conformity with the plan. TIF works by ‘freezing’ property values at the beginning of an urban renewal plan, and assessing a fee only on the incremental growth in property value observed since the beginning of the urban renewal district plan. The revenues generated within an urban renewal district are used to secure bonds to finance projects and programs within that district. Hawaii state law allows any county council to establish a TIF district through adoption of an ordinance.²

URAs have been used with success in Portland, Oregon by the Portland Development Commission. As of 2011, there are eleven Urban Renewal Areas within the City of Portland; the oldest one has been active since 1974. The Portland Development Commission has used funds generated through use of the TIFs to develop infrastructure improvements and construct new affordable housing within each URA.³

Community Facilities District (CFD)

Community Facilities Districts can be formed in counties throughout the state of Hawaii. CFDs finance special improvements in the county, and the county has the power to levy and assess a special tax on property located in a district to finance the improvements. CFD funds are similar, but are more flexible than TIFs and Districts and can be used for facility maintenance.

Public Private Partnerships (PPP)

These are generally projects that are funded and operated through a partnership of government and one or more private sector companies. PPPs allow for greater private sector participation in the delivery and financing of transportation projects. There are a wide variety of PPP structures, and the degree of involvement, responsibility, and risk for the private sector varies depending on the structure chosen. For the Plan, PPPs may not be the most appropriate funding source.

¹ Shoup, Donald and Douglas Koloszvari, 2003. *Turning Small Change into Big Changes*. Access: Transportation Research at the University of California, number 23. <http://www.techtransfer.berkeley.edu/newsletter/11-1/parking.php>

² Hawaii Revised Statutes, 46-103.

³ <http://www.pdc.us/ura/default.asp>

System Development Charges and Developer Obligations

Transportation System Development Charges (SDCs) are a one-time fee assessed on new development, to compensate for increased traffic associated with its use. The charge is applied to capital improvement projects that increase transportation system capacity associated with growth.

With developer obligations, an improvement is paid for or built by the developer to City standards and then deeded to the City or local municipality as a condition for development approval. Developer obligations and contributions can pay for pedestrian improvements in, adjacent to, or through new developments.

Parking Space Tax

Implementing a parking tax on off-street parking facilities can serve as a steady source of revenue. This concept could be implemented as a pilot project at key major employers in a downtown area or central business district. This type of tax has not previously been implemented in Hawaii. If the State or municipality is unable to implement this tax, they could propose a "Local Option Tax." This tax would be subject to a vote. Cities in other states have found a parking space tax as an effective revenue source. Residents and property owners may be more supportive of this tax if the revenues are spent on a pedestrian project that directly improves the site.

The city and county of San Francisco implemented a 25% tax on parking spaces in 1970 and 1971 on all public and private on and off-street parking spaces. The tax was based on the assessed value of the parcels they were contained within. This was done for the express purpose of generating revenue in lieu of a property tax increase and was not limited to use solely for transportation improvements.⁴

⁴ Transit Cooperative Research Program, 2004. Report 95, Chapter 13: Traveler Response to Transportation System Changes: Parking Prices and Fees, page 13-6.