

Table of Contents

Chapter III. Eligible Grantees, Services, and Funding	9
Introduction.....	9
Eligible Applicants.....	9
Eligible Transit Services	10
INDOT Use of Section 5311 Funds.....	10
Administrative and Technical Assistance Funds.....	10
Grantee Allocations.....	11
Formula Calculation	12
Data Sources for Funding Calculations.....	12
Section 5339 Funds	12
New Applicants and Allocation Formula	12
Disposition of Fund Balance.....	13
Participation Ratios and Local Share Requirements.....	13
Capital Grants.....	13
Operating Grants.....	13
Local Share	13
Eligible Funding.....	14
Capital Costs.....	14
Operating, Maintenance, and Administrative Costs	14
Other INDOT Assistance.....	15
Technical and Management Assistance.....	15
Planning.....	15
Financing.....	15
Vehicle and Equipment Procurement.....	15
Vehicle Maintenance	16

CHAPTER III. ELIGIBLE GRANTEES, SERVICES, AND FUNDING

INTRODUCTION

This chapter defines who is eligible to receive Section 5311 funds, what services are eligible for reimbursement under the program, and how eligible organizations can apply for funding. All citations to Indiana Code include the link to the appropriate section of the code, therefore, ensuring that the most current version of the Code will be available when referenced. If you have any difficulty in accessing the link by clicking on it, simply cut and paste it into your browser.

Further, if you refer to certain sections of the code frequently, you may wish to download a copy to keep handy in your Section 5311 Manual; however, you should check at least annually, if not more often, to ensure that you are referring to the most current version of the applicable section.

Eligible Applicants

The Indiana Department of Transportation permits local public entities, public transportation corporations, regional commissions, and non-profit organizations that have been authorized to provide public transportation in the State of Indiana to be an eligible recipient of Section 5311 funds, with the following conditions and stipulations, consistent with INDOT program management practices:

1. An eligible public recipient includes:
 - a. The State of Indiana, counties, cities, or towns within the State.
 - b. Public Transportation Corporations (PTC) as established under I.C. 36-9-4-12 (<http://www.in.gov/legislative/ic/2004/title36/ar9/ch4.html>).
 - c. Regional Transportation Authorities (RTA) as established under I.C. 36-9-3-2 (<http://www.in.gov/legislative/ic/2010/title36/ar9/ch3.html>).
 - d. Regional Planning Commissions as established under I.C. 36-7-7 (<http://www.in.gov/legislative/ic/2004/title36/ar7/ch7.html>).
 - e. With designation by formal resolution of the local governing board, nonprofit organizations.
2. In the case of lower tier contracts between public entities and the service provider, the public entity must assign compliance responsibility for all applicable contract terms and conditions to the pass-through recipient.
3. The eligible public agency will continue to be the responsible party for invoice submission, receipt of all payments from INDOT, and shall hold the title to all capital equipment that may be acquired under a Section 5311 grant.
4. Nothing in this guidance prohibits an eligible public entity from using competitive means to select an entity to manage and administer its public transportation program.
5. In order to minimize INDOT's project management burden, and in consideration to both FTA's and INDOT's objectives for local service coordination, an eligible public entity may only enter into one

“pass-through” arrangement in a given county for a countywide rural public transit system.

- a. If a public entity operates over a multi-county service area, one pass-through arrangement per county is permissible.
- b. INDOT will permit a city or town in a nonurbanized area to operate its own public transportation within its political boundaries, even if such a system falls within the service area of a countywide rural public transit system. Under such circumstances, INDOT shall require the city or town and the public agency sponsoring countywide public transportation to coordinate services to the maximum extent possible.

Eligible Transit Services

Eligible services which may be funded under the Section 5311 program include any transportation service provided by bus, shared-ride taxi, or other publicly or privately owned conveyance that serves the general public on a regular basis in primarily nonurbanized areas. Eligible projects may constitute an entire public transit system, a particular service or function within that service, or an individual route or route segment. Service may include transportation to and from urbanized areas. However, such services should not include both pick-up and discharge operations within the urbanized area, particularly if the urbanized area is served by public transit. If Section 5311 funds are used in a joint urbanized and nonurbanized project, Section 5311 funds must be used primarily

to assist the nonurbanized portion of the project. Urbanized/Nonurbanized services should be coordinated whenever possible (i.e., drop-offs/transfers from demand response providers at the urbanized fixed route stops).

Services not eligible for assistance include any exclusive ride taxi service and service to individuals or groups which exclude use by the general public.

INDOT Use of Section 5311 Funds

As noted previously, FTA apportions Section 5311 funds to Indiana in accordance with a formula based on the percent of Indiana’s nonurbanized population as a ratio of the total nonurbanized population in the U.S. The amount of funds so apportioned is dependent upon the annual appropriation of funds by the Congress.

INDOT allocates its annual apportionment of Section 5311 funds as set forth below.

Administrative and Technical Assistance Funds

Up to 10 percent of INDOT’s annual apportionment may be assigned to administer the program and provide technical assistance to applicants and existing transit systems. Technical assistance may include:

- ◆ Project planning and development (including feasibility studies);
- ◆ Management and operations; Maintenance; and
- ◆ Coordination of public transportation resources and pro-grams (public and privately owned).

Section 5311(f) Intercity Bus Program

The FTA requires that states receiving Section 5311 Program funds expend a minimum of 15 percent of those funds on an intercity bus program, unless the Governor certifies that intercity bus needs in that state are being adequately met. Section 5311(f) requires a State to consult with intercity bus providers before seeking a Governor's certification. The legislative history indicates that the assessment of intercity bus needs may be made "relative to other rural needs in the state."

Based on the results of the 2009 Indiana Intercity Bus Study and input provided by the state's intercity carriers and rural public transportation providers, the primary emphasis of the INDOT Intercity Bus Program is to utilize the Section 5311(f) funds to provide operating assistance for the provision of intercity bus service. This can be accomplished by providing traditional intercity route service or feeder connections to existing intercity services.

Projects that offer services coordinated with other intercity services will receive priority, including those that utilize through-service buses, interline tickets, common intermodal terminals, coordinated schedules and joint information or marketing plans. INDOT requires that all services provided with Section 5311(f) funds offer users a meaningful connection with the national intercity bus network, including interline (joint) ticketing and service connections that are shown in the public timetables for the services. In addition, all projects funded under this program must provide for the marketing of the services to the general public. Requests for operating assistance must include in their project description information about specific marketing efforts for the proposed service. A minimum of ten

percent of the total project amount should be allocated for marketing expenses.

Section 5311(f) operating budgets will be developed on a cost per mile basis. Project reimbursements will also be based on cost per mile.

Section 5311(f) funds can be used to provide up to fifty percent (50%) of the net cost of service. The net cost of service is determined by subtracting passenger revenue from total operating expenses. The remaining 50 percent of the net cost of service must be provided with cash, and/or "In-Kind Match" as is made available through the Section 5311 program. (See Section 5311(f) Intercity Bus Program Application Package for more information on "In-Kind Match.") Those projects with a higher percentage of passenger revenue and/or contributions from local government(s) will be given a higher priority for funding.

The INDOT Office of Transit's Section 5311(f) Management Guide and grant application is available at <http://www.in.gov/indot/2436.htm>.

Grantee Allocations

Once INDOT has allocated the necessary funds for administrative and technical assistance and has satisfied its obligations to fund intercity services, the remaining amount of INDOT's annual apportionment will be allocated by formula to existing grantees.

The factors used in this allocation are as follows:

- ◆ Population – Service area population, as determined by the last decennial census, accounts for 30 percent.

- ◆ Annual Passenger Boardings – Annual passenger boardings account for 30 percent.
- ◆ Locally Derived Income (LDI) – Locally derived income is determined by adding a project’s farebox revenue, local appropriation of funds, and cash grants. LDI accounts for 40 percent of the allocation weighting. LDI does not include contra-expenses or in-kind volunteer labor services.

Formula Calculation

INDOT has established a baseline allocation for each grantee. Allocation factors are then calculated by dividing each grantee’s population, three-year average passenger boardings, and three-year average LDI by the total population, average passenger boardings, and average LDI, respectively, for all existing grantees.

Each allocation factor is multiplied by its weight factor, then all three factors are added together to establish the grantee’s Total Allocation Factor. Each grantee’s Total Allocation Factor is then multiplied by the amount of Section 5311 funds available for public transit project funding for the year to calculate the amount of funding available for each grantee. Allocated funds can be used for capital and/or operating projects. The INDOT Office of Transit reserves the right to allocate funds at its discretion based on program needs.

For additional information about the formula allocation, contact the INDOT Office of Transit.

Data Sources for Funding Calculations

INDOT will take all due care to ensure that inputs used in funding calculations are up-

to-date and accurate. Population data will be derived from the current decennial census of population and housing prepared by the U.S. Bureau of the Census. The most recent three (3) years of data available from the Annual Public Transportation Reports will be used for annual passenger boardings and LDI. Data from the reports is verified annually by INDOT. Data that cannot be verified as accurate will not be used. INDOT, at its election, may use data from a recent previous year or a reasonable estimate thereof. If a grantee consistently provides INDOT with inaccurate data, INDOT reserves the right not to allocate funding to that grantee based on that allocation factor.

Section 5339 Funds

FTA’s Section 5339 funds for bus and facility projects are allocated to each state. The states can, in turn, use these capital funds to supplement their Section 5307 and Section 5311 Programs. INDOT exercises this discretion to use its available 5339 funds for eligible Section 5311 capital projects; Section 5311 funds are used to primarily fund operating projects, although a small portion (up to \$3,000) of a grantee’s Section 5311 allocation can be used for capital purchases. All capital projects, regardless of the source of funding, are subject to INDOT’s eligibility priorities and are evaluated with INDOT’s Capital Application Review and Rating Form. INDOT’s evaluation process is discussed further in **Chapter IV**.

New Applicants and Allocation Formula

Any new applicant approved for funding will be added to the funding formula in its third year of operation. New systems are required to collect data during the first two years of operation as a demonstration project. INDOT will use the operating data

collected during the demonstration project when adding the new applicant to the funding formula.

Disposition of Fund Balance

In the event funding is de-obligated, it may be re-programmed or carried forward and added to the next year's formula apportionment. Alternatively, fund balances may be used by INDOT to fund special projects or marketing studies, etc.

Using the flexible funding provisions originally authorized under ISTEA, the Governor is also permitted to transfer the reserve to urbanized areas under 200,000 population.

PARTICIPATION RATIOS AND LOCAL SHARE REQUIREMENTS

Capital Grants

INDOT will make Section 5311/5339 funds available for capital expenses, which generally include the acquisition, construction, and improvement of public transit facilities and equipment. However, INDOT views vehicle acquisition as a priority when appropriating funding for all other capital requests.

Generally, Section 5311/5339 funds may be used to fund up to eighty (80%) percent of the net capital cost of the improvement or acquisition. See the 5311/5339 Application on the INDOT website, <http://www.in.gov/indot/2436.htm>.

Intercity capital projects funded under Section 5311(f) are also funded at the eighty percent level. Additionally, these grants may include planning and marketing activities.

Operating Grants

INDOT will make Section 5311 funds available for operating expenses, which generally include salaries and wages, fringe benefits, purchase of transit service contracts, fuel, oil, lubricants, replacement parts, tires, vehicle insurance, licenses, and other expenses.

Local Share

The non-Federal share of project expenses must be matched by local funds. The local share must be from non-FTA sources, and can include any local or state source. Additionally, in certain cases, other Federal funds that have been determined to be "unrestricted" Federal or State funds may be used as match to Section 5311. "Unrestricted Federal Funds" (including Title XIX) - those funds authorized by a federal agency (e.g. Health and Human Services) can be used as local match for Section 5310 and Section 5311 grants. The project applicants are responsible for identifying unrestricted funds because of their accountability by the other federal agencies involved.

Subrecipients may use funds from other Federal agencies (non-DOT) for the entire local match if the other agency makes the funds available to the subrecipient for the purposes of the project. **The only DOT funds that States can use as local match for Section 5311 projects are from the Federal Lands Highway Program cited in 49 U.S.C. 5311(g)(3),** <http://www.gpo.gov/fdsys/granule/USCOD-E-2011-title49/USCODE-2011-title49-subtitleIII-chap53-sec5311>.

With respect to operating expenses, 49 U.S.C. 5311(g)(2) provides that the federal share shall not exceed 50 percent of the net

operating cost of the project. Federal/State funds for operating projects. The Federal share for planning and capital projects may not exceed 80 percent of the net project cost. Under Subsection 5311(g)(3)(A), funds received pursuant to a service agreement with a state or local social service agency or a private social service organization may be used as local match.

Local grants, appropriations, and dedicated tax revenues; Income derived from purchase of service contracts, including contracts where the purchaser utilizes unrestricted Federal funds to finance the purchase of transit service; State funds from the Public Mass Transportation Fund (PMTF), only after completing the two year demonstration period; Other state funds eligible to match Federal funds. The appropriate state grantor agency must approve the use of the funds as match to other Federal funds; and In-kind contributions (cash equivalent) as defined in 2 CFR Part 200 http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl. (Note: all requirements previously contained in 49 CFR Part 18, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments" are now contained in 2 CFR Part 200, or the "Super Circular.")

Of critical importance in the INDOT decision to finance local transit projects through the Section 5311 program is the Federal requirement that Section 5311 funds be used to augment, rather than supplant, existing sources of passenger transit revenue. It is INDOT's experience that local financial commitment is a primary factor in the long-term viability and success of the project.

ELIGIBLE FUNDING

Capital Costs

Eligible capital items include, but are not necessarily limited to:

- ◆ Buses;
- ◆ Vans or other paratransit vehicles;
- ◆ Radios and communications equipment;
- ◆ Passenger shelters, bus stop signs, and similar passenger amenities;
- ◆ Wheelchair lifts and restraints;
- ◆ Vehicle rehabilitation;
- ◆ Operational support equipment, such as computer hardware and software;
- ◆ Installation costs, vehicle procurement, testing, inspection, and acceptance costs; and
- ◆ Construction or rehabilitation of transit facilities including design, engineering, and land acquisition.

Operating, Maintenance, and Administrative Costs

INDOT considers all system operating, maintenance, and administrative costs to be project "operating" expenses.

Operating expenses are considered to be those costs directly related to system operations and include, but are not necessarily limited to:

- ◆ Fuel;
- ◆ Oil;
- ◆ Replacement tires and parts which do not meet the criteria for capital items;
- ◆ Extended warranties;
- ◆ Maintenance and repairs;
- ◆ Drivers' and mechanics' salaries
- ◆ Dispatchers' salaries;
- ◆ Fringe benefits;
- ◆ Licenses;
- ◆ Salaries of the project director, secretary, and bookkeeper;

- ◆ Vehicle signage;
- ◆ Marketing expenses;
- ◆ Insurance premiums or payments to a self-insurance reserve;
- ◆ Office supplies;
- ◆ Facilities and equipment rental;
- ◆ Standard overhead rates (a grantee must have an approved cost allocation plan on file with INDOT for these costs to be eligible);
- ◆ Administration of drug and alcohol testing; and
- ◆ Medical Qualification assessments.

Administrative costs for promoting and coordinating ridesharing may be eligible if the activity is part of a coordinated public transportation program. Interest on short-term loans for operating assistance is an eligible operating expense if the grantee has the prior approval of INDOT. Upon approval from INDOT, short-term loans may not exceed a contract period of 120 days and must be paid in full upon receiving the quarterly reimbursement.

INDOT participation in operating costs is based on “net” operating costs.

Net operating expenses are those expenses that remain after operating revenues are subtracted from eligible operating expenses.

At a minimum, operating revenues must include farebox revenues. Farebox revenues include fares paid by riders who are later reimbursed by a human service agency, or other user-ride subsidy arrangements, but do not include payments made directly to the transit provider by human service agencies. As noted above, this revenue may be used as local match.

OTHER INDOT ASSISTANCE

Technical and Management Assistance

INDOT provides management and technical assistance to eligible grantees. INDOT will assist in the development of transit programs that improve the knowledge base of rural and small urban management. Technical assistance may be provided in the areas of planning, funding, vehicle and equipment procurement, and vehicle maintenance training and is further explained below.

Planning

Planning assistance is available upon request from the INDOT Office of Public Transit and may include conduct of transit feasibility studies, ridership surveys, ridership estimation, routing and scheduling analyses, revenue and cost studies, and capital needs assessments.

Financing

INDOT will assist grantees and applicants for Section 5311 funding identify alternative funding sources to support rural passenger transportation.

Vehicle and Equipment Procurement

INDOT will assist with the procurement of grant related equipment. Vehicles must be purchased from the Indiana Qualified Allocation Plan (QAP). INDOT requires all grantees to adhere to the principles contained in the most recent version of FTA Circular 4220, http://www.fta.dot.gov/legislation_law/13718.html. Grantees may follow their own local procurement procedures, provided that, at a minimum, the basic requirements of this circular are met.

Vehicle Maintenance

INDOT provides information and assistance in detailing vehicle maintenance procedures. The INDOT Guide to Preventive Maintenance is available on the Indiana RTAP website. INDOT also provides on-site maintenance assistance and training through the Rural Transit Assistance Program (RTAP), which is explained later in this manual.