

FLEXIBLE FUNDS

The 1991 ISTEA legislation contained provisions that provided flexible funding opportunities to state and local governments, allowing them the option of using some Federal Highway Administration (FHWA) funds for transit projects and vice versa. These provisions were contained and continued with the passage of TEA-21, during FY 1998. However, beginning in FY 2000, FHWA and FTA implemented new procedures that provided for the transfer of obligation authority to the receiving agency. Funds can be transferred from FHWA to Sections 5307, 5310, 5311, 5313(b) and the Interstate Substitute Program to support transit projects, and from FTA's Section 5307 to FHWA to support highway projects. During the past sixteen years, a cumulative total of about \$14 billion was transferred from FHWA; and about 13.6 billion was obligated by FTA for transit projects. Flexible funds / transfers accounted for 12.9% of the total FTA obligations (programs covered in this report) during FY 1992-2007.

The funds transferred from FHWA are drawn from the following sources:

Surface Transportation Program (STP). STP is the largest source of funds from FHWA. Funding is at 80 percent Federal share and may be used for all projects eligible for funds under current FTA programs excluding operating assistance.

Congestion Mitigation and Air Quality Improvement (CMAQ) Program. CMAQ funds are used to support transportation projects in air quality nonattainment areas. A CMAQ project must contribute to the attainment of the national ambient air quality standards by reducing pollutant emissions from transportation sources.

FHWA Earmark. Several transit projects are earmarked under TEA-21 and SAFETEA-LU as high-priority projects. FHWA asked that they be administered by FTA. FHWA earmarked funds through FY 1999 were transferred into the Section 5309 program. From through FY 2000-2007, these earmarks were transferred to FTA's formula programs only.

In FY 2007, \$1,458.3 million flexible funds / transfers were available to FTA for obligation. Of that total, \$923.1 million (63 %) was transferred in FY 2007; the remaining available \$535.2 million (37 %) was the unobligated carryover or recovery of prior year transfers. The breakdown of FY 2007 transfers by type is: CMAQ - \$712.4M (77 %), STP - \$210.6M (23 %), and 0 in other transfers. 39 states transferred flex funds during FY 2007. The 10 states with the highest transfers accounted for about 75 % of the total; California (the state with the highest level of transfers) transferred 30 % of the total for FY 2007. Obligations in FY 2007 totaled \$1,006 million. By program, obligations in FY 2007 were: Urbanized Area Formula - \$910.7 million (90 %); Capital - \$0; Elderly and Persons with Disabilities - \$60.5 million (6 %); and Non-urbanized Area Formula - \$35.4 million (4 %). Cumulatively (FY 1992 - 2007), flex fund transfers total \$14,046.8 million. Throughout the 15-year authorization, CMAQ led in the requests for transfers of flexible funds, with a cumulative percentage of 57.2%. STP funds composed 36.7% of the cumulative and the rest form the remaining 6.1%. Cumulative obligations for the 15-year period total \$13,594.0 million.