

## **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 fourteen years, a cumulative total of about \$11.8 billion was transferred from FHWA; and about 11.3 billion was obligated by FTA for transit projects. Flexible funds / transfers accounted for 13.4% of the total FTA obligations (programs covered in this report) during FY 1992-2005.

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.

**Interstate Substitute Funds.** While these Highway funds are eligible for transit use, they are limited to the construction and improvements of fixed guideways, the purchase of rolling stock (buses) and other transportation equipment, and any other project eligible under FTA's Section 5309 capital grant program.

**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 FY 2000-2005 these earmarks were transferred to FTA's formula programs only.

In FY 2005, \$1.426 billion flexible funds / transfers were available to FTA for obligation. Of that total, \$966 million (68%) was transferred in FY 2005; the remaining available \$460 million (32%) was the unobligated carryover or recovery of prior year transfers. The breakdown of FY 2005 transfers by type is: CMAQ - \$560.9M (58.1%), STP - \$394.3M (40.8%), and 10.7M (1.1%) in other transfers. Thirty seven states transferred flex funds during FY 2005. The ten states with the highest transfers accounted for about 83% of the total; California (the state with the highest level of transfers) transferred 35% of the total for FY 2005. . Obligations in FY 2005 totaled \$997.5 billion. By program, obligations in FY 2005 were: Urbanized Area Formula - \$911.8 billion (91.4%); Elderly and Persons with Disabilities - \$65.7 million (6.6%); and Non-urbanized Area Formula - \$19.9 million (2%). Cumulatively (FY 1992 - 2005), flex fund transfers total \$11.8 billion. Throughout the 14-

year authorization, CMAQ led in the requests for transfers of flexible funds, with a cumulative percentage of 56.8%. STP funds composed 36.4% of the cumulative and the rest form the remaining 6.8%. Cumulative obligations for the 14-year period total \$11,312.8 million.