



# Flexible Funding for Transit: Who Uses It?

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**“ISTEA...allowed local agencies to be flexible in choosing where funds were to be spent. This was a radical departure from traditional transportation policy.”**

## Findings

An analysis of major federal highway funds that can be flexibly used for highway or transit programs between FY1992 and FY1999 found that:

- Of \$33.8 billion in flexible funding available for transfer from federal highway programs to transit projects, \$4.2 billion or 12.5% was used from FY1992 to FY1999.
- During those years, the District of Columbia, Massachusetts, New York, Oregon and California transferred more than a third of their available highway funds for transit use.
- On the other hand, Delaware, Kansas, Mississippi, North Dakota, South Dakota and Wyoming transferred none.
- New York and California received 16.3% of all federal funds available for transfer, yet accounted for nearly half of all funds actually transferred from highway to transit programs.
- Metropolitan areas with the largest, most well-established transit agencies took the most advantage of flexible funding provisions.

## I. Introduction

*“The distinctive feature of ISTEA (the Intermodal Surface Transportation Efficiency Act of 1991) was that it was not simply a highway bill, or even a highway and transit bill. Instead, it restructured the entire process by which we planned and carried out surface transportation improvements in the United States.”*<sup>2</sup>

In 1997, when ISTEA was in its final year, Representative Robert Borski (D-PA) still conveyed the monumental nature of this law. ISTEA took a dictatorial system of transportation funding that

sharply divided highway, transit and safety programs, and replaced it with something revolutionary. The architects behind ISTEA understood the links between traffic congestion, air pollution, urban sprawl, economic development and general quality of life. Stated simply, ISTEA required that policy makers consider all transportation options, gave citizens the opportunity to participate in the planning process, and allowed local agencies to be flexible in choosing where funds were to be spent. This was a radical departure from traditional transportation policy.

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The "flexible funding" provisions of ISTEA and its successor, TEA-21 (the Transportation Equity Act for the 21st Century) refer to the programs identified in the legislation whose funds may be used for transit or highway projects. The significance of these provisions cannot be overstated. The bill drafters intended to give planners and decision makers at the state and local level the authority to transfer funds between highways and transit, with the direction of the transfers unspecified, but to be determined based on locally defined goals. Among other things, this freedom of financing greatly assists in the consideration of alternative solutions in order to achieve a more balanced transportation network.

A key to understanding whether the flexible funding provisions are affecting transportation investment decisions as ISTEA and TEA-21's authors in Congress intended, is to identify the amount of funding available to be transferred and to what extent local policy makers actually do transfer those funds between highway and transit purposes. Due to the remarkable complexity of the issue, it is beyond the scope of this project to fully analyze the success of the provisions. Rather, this is simply a snapshot of the extent to which flexible funding is used. While an examination of flexible funding cannot paint a picture of how innovative states and localities are, it can begin to tell us how well communities understand and are implementing the tremendous changes in transportation decision-making.

## II. New Flexibilities Under ISTEA and TEA-21

ISTEA and TEA-21 are financed through the federal Highway Trust Fund and supplemented by general funds. Under ISTEA, funding for highway projects flows to the Federal Highway Administration (FHWA) through many categorical grants (see box).

### Major Federal Highway Administered ISTEA Funding Categories

Interstate Construction, National Highway System, Surface Transportation Program, Interstate Maintenance, Highway Bridge Replacement and Rehabilitation Program, Congestion Mitigation & Air Quality Improvement, Metropolitan Planning, Highway Safety, Recreational Trails, Federal Aid Urban System, Interstate Substitution

Under ISTEA and TEA-21, money appropriated to most of these programs can be transferred to another one with certain restrictions. The complexity of the conditions for transfer depend upon the program from which the funding originates. Because the direction of the transfers has been almost entirely from highways to transit since ISTEA's passage, this survey will focus on funds *transferred* between FHWA and the Federal Transit Administration (FTA)<sup>3</sup>. Since gauging the total funds available for transit projects is onerous because of intra-highway transfers as well as secondary transfers<sup>4</sup>, this report

analyzes primary transfers from the Surface Transportation Program (STP) and the Congestion Mitigation & Air Quality (CMAQ) Improvement Program to the FTA<sup>5</sup>. These two highway programs have been the primary sources of flexible funding for transit.<sup>6</sup>

Occasionally, FHWA programs may provide for transit-related activities without actually being transferred to FTA—such projects include construction of high occupancy vehicle (HOV) lanes that are used by transit vehicles and park-and-ride lots that augment transit facilities. Such transit projects funded with *un-transferred* highway funds (also called "*informal transfers*") are not recorded by this survey, but it is clear that if they were included, these uses would increase the highway-to-transit transfer figures although the exact degree of increase is unknown. Again, the purpose of this survey is to provide a snapshot of the extent to which policy decisions are being made to essentially deduct money from a highway purpose and re-program it for a transit purpose.

## III. Findings

### A. From FY1992–FY1999, 12.5% of available federal highway funds were transferred for transit use.

During the first eight years of flexible fund availability, from FY1992–FY1999, \$33.8 billion in highway money from STP and CMAQ alone was available to be transferred<sup>7</sup>. Of this amount, \$4.2 billion was transferred from highway programs to transit projects administered by the FTA. This accounts for 12.5% of all available STP and CMAQ money available over the eight years. (See Table 1)

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**Table 1: Percentage of STP and CMAQ Funds Transferred to FTA Annually (FY1992–FY1999)**

	Total Transferred	Total Available	% Transferred
FY92	202,078,430	3,429,227,400	5.89%
FY93	442,682,203	4,101,743,600	10.79%
FY94	498,754,051	4,080,463,400	12.22%
FY95	684,446,576	4,043,386,000	16.93%
FY96	669,119,235	3,558,169,400	18.81%
FY97	439,123,217	4,048,021,000	10.85%
FY98	435,260,292	4,886,858,798	8.91%
FY99	849,196,744	5,612,702,551	15.13%
Total	4,216,991,735	33,760,572,148	12.49%

**B. States' use of flexible funds vary widely.**

Each of the 50 states and the District of Columbia starkly differ in their use of flexible transportation funds. Table 2 shows how much each of the states' STP and CMAQ money from the FHWA was transferred to FTA for transit projects. For example, the District of Columbia had \$171.7 million available for transfer and moved \$83.4 million or 48.6%, the highest percentage in the nation. By contrast, Texas had \$2.8 billion available for transfer, but only moved \$119.7 million or 4.3%. South Carolina transferred only \$160,000, at a rate of less than .03%.

An examination of the average and median rates at which states transferred highway funds for transit use further illustrates that flexible fund transfers are not evenly distributed across the 50 states and the District of Columbia. As the bottom of Table 2 demonstrates, the average or mean rate at which individual states used their flexible funds for transit between FY1992 and FY1997 was 8.9%. This mean transfer rate is lower than the 12.5% rate of transfer calculated from national totals.

To investigate this disproportion further, the median percentage of funds transferred was examined to determine the extent to which the mean is askew. The median is the middle value when all values are put in order. Table 3 indi-

cates that New Mexico represents the median state, with 25 values below and above. The median is only 3.8% of funds available for transfer. This value is less than half of the mean, which is 8.9%. This indicates that the states that transfer a high proportion of their available funds are causing the mean to be too high. Only 12 states transferred more funds than the mean level, leaving 39 or 76% of all jurisdictions that shifted less. Eleven states transferred less than 1% of their available funds. Delaware, Kansas, Mississippi, North Dakota, South Dakota and Wyoming transferred no funds at all.

This inconsistency highlights the need to look at the states individually, not just as parts of a larger puzzle. While on average, states have used only about a tenth of funds available to them, the variation among states is great.

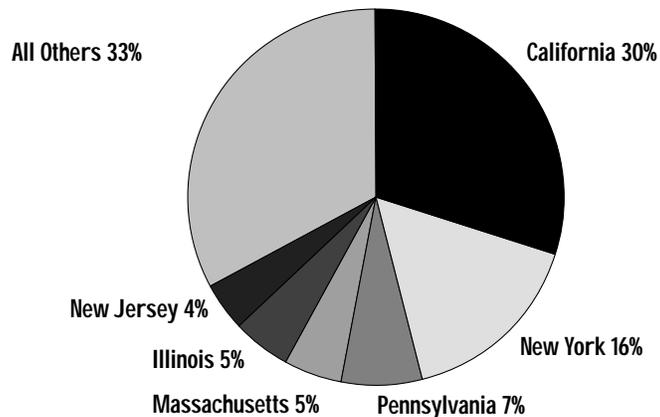
**C. California and New York account for nearly half of the nation's flexible fund transfers.**

In many ways the story of flexible funding is a story about California and New York, as these two states transferred by far the most funds. California and New York were apportioned \$3.7 billion and \$1.8 billion, respectively, for STP and CMAQ programs over FY1992–FY1999, making up 16.3% of the \$33.8 billion available nationally. California and New York flexed \$1.2 billion and \$691 million, respectively, from highway programs to transit projects, making up nearly half (46.1%) of the \$4.2 billion transferred nationally. (See Table 4, Figure 1)

Removing these states from our analysis makes their significance quite apparent. Without California and New York, \$28.3 billion in STP and CMAQ

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**Figure 1  
State Share of Funds Flexed for Transit**





**Table 2: Percentage of Total STP & CMAQ Funds Transferred by State and Mean, FY1992 – FY1999**

State	Transferred	Available	% Transferred
Alabama	8,717,734	579,666,517	1.50%
Alaska	17,669,779	608,638,873	2.90%
Arizona	72,191,189	511,746,336	14.11%
Arkansas	3,495,000	361,893,741	0.97%
California	1,254,911,752	3,728,649,646	33.66%
Colorado	17,742,000	495,793,459	3.58%
Connecticut	42,495,882	680,168,360	6.25%
Delaware	0	200,882,073	0.00%
District of Columbia	83,407,578	171,712,873	48.57%
Florida	73,412,644	1,544,881,777	4.75%
Georgia	51,359,960	978,448,382	5.25%
Hawaii	4,652,000	386,343,673	1.20%
Idaho	10,148,955	270,403,437	3.75%
Illinois	199,223,851	1,472,505,287	13.53%
Indiana	16,121,160	761,787,977	2.12%
Iowa	5,320,579	459,446,381	1.16%
Kansas	0	403,887,621	0.00%
Kentucky	6,806,752	517,569,834	1.32%
Louisiana	14,965,048	383,889,994	3.90%
Maine	20,412,923	208,719,652	9.78%
Maryland	45,608,000	643,385,055	7.09%
Massachusetts	214,205,121	509,324,739	42.06%
Michigan	77,396,911	953,927,147	8.11%
Minnesota	46,838,587	584,419,022	8.01%
Mississippi	0	348,814,417	0.00%
Missouri	62,765,947	598,932,154	10.48%
Montana	3,883,383	305,220,708	1.27%
Nebraska	400,000	347,535,791	0.12%
Nevada	7,698,500	280,765,393	2.74%
New Hampshire	8,031,898	211,724,133	3.79%
New Jersey	171,129,000	983,605,586	17.40%
New Mexico	12,335,400	320,091,096	3.85%
New York	691,547,344	1,799,497,406	38.43%
North Carolina	9,998,400	808,937,690	1.24%
North Dakota	0	278,620,555	0.00%
Ohio	133,879,542	1,193,756,868	11.21%
Oklahoma	3,112,960	469,012,127	0.66%
Oregon	110,808,898	326,777,753	33.91%
Pennsylvania	284,438,258	973,761,245	29.21%
Rhode Island	20,981,412	190,788,004	11.00%
South Carolina	160,000	457,839,777	0.03%
South Dakota	0	282,415,353	0.00%
Tennessee	10,744,862	615,807,934	1.74%
Texas	119,735,968	2,762,144,771	4.33%
Utah	7,971,066	253,251,921	3.15%
Vermont	35,878,786	185,261,873	19.37%
Virginia	130,628,300	696,024,947	18.77%
Washington	75,843,387	477,156,115	15.89%
West Virginia	291,246	268,308,113	0.11%
Wisconsin	27,623,773	664,232,096	4.16%
Wyoming	0	242,196,473	0.00%
<i>U.S. Total</i>	4,216,991,735	33,760,572,148	12.49%
<i>U.S. Mean</i>			8.95%



**Table 3: Percentage of Total STP & CMAQ Funds Transferred by State Rank and Median, FY1992 – FY1999**

Rank	State	Transferred	Available	% Transferred
1	District of Columbia	83,407,578	171,712,873	48.57%
2	Massachusetts	214,205,121	509,324,739	42.06%
3	New York	691,547,344	1,799,497,406	38.43%
4	Oregon	110,808,898	326,777,753	33.91%
5	California	1,254,911,752	3,728,649,646	33.66%
6	Pennsylvania	284,438,258	973,761,245	29.21%
7	Vermont	35,878,786	185,261,873	19.37%
8	Virginia	130,628,300	696,024,947	18.77%
9	New Jersey	171,129,000	983,605,586	17.40%
10	Washington	75,843,387	477,156,115	15.89%
11	Arizona	72,191,189	511,746,336	14.11%
12	Illinois	199,223,851	1,472,505,287	13.53%
13	Ohio	133,879,542	1,193,756,868	11.21%
14	Rhode Island	20,981,412	190,788,004	11.00%
15	Missouri	62,765,947	598,932,154	10.48%
16	Maine	20,412,923	208,719,652	9.78%
17	Michigan	77,396,911	953,927,147	8.11%
18	Minnesota	46,838,587	584,419,022	8.01%
19	Maryland	45,608,000	643,385,055	7.09%
20	Connecticut	42,495,882	680,168,360	6.25%
21	Georgia	51,359,960	978,448,382	5.25%
22	Florida	73,412,644	1,544,881,777	4.75%
23	Texas	119,735,968	2,762,144,771	4.33%
24	Wisconsin	27,623,773	664,232,096	4.16%
25	Louisiana	14,965,048	383,889,994	3.90%
median	New Mexico	12,335,400	320,091,096	3.85%
27	New Hampshire	8,031,898	211,724,133	3.79%
28	Idaho	10,148,955	270,403,437	3.75%
29	Colorado	17,742,000	495,793,459	3.58%
30	Utah	7,971,066	253,251,921	3.15%
31	Alaska	17,669,779	608,638,873	2.90%
32	Nevada	7,698,500	280,765,393	2.74%
33	Indiana	16,121,160	761,787,977	2.12%
34	Tennessee	10,744,862	615,807,934	1.74%
35	Alabama	8,717,734	579,666,517	1.50%
36	Kentucky	6,806,752	517,569,834	1.32%
37	Montana	3,883,383	305,220,708	1.27%
38	North Carolina	9,998,400	808,937,690	1.24%
39	Hawaii	4,652,000	386,343,673	1.20%
40	Iowa	5,320,579	459,446,381	1.16%
41	Arkansas	3,495,000	361,893,741	0.97%
42	Oklahoma	3,112,960	469,012,127	0.66%
43	Nebraska	400,000	347,535,791	0.12%
44	West Virginia	291,246	268,308,113	0.11%
45	South Carolina	160,000	457,839,777	0.03%
46	Delaware	0	200,882,073	0.00%
46	Kansas	0	403,887,621	0.00%
46	Mississippi	0	348,814,417	0.00%
46	North Dakota	0	278,620,555	0.00%
46	South Dakota	0	282,415,353	0.00%
46	Wyoming	0	242,196,473	0.00%
	<i>U.S. Total</i>	4,216,991,735	33,760,572,148	12.49%
	<i>U.S. Mean</i>			8.95%



apportions were available nationally for transfer from FY1992–FY1999, down from \$33.8 billion. Only \$2.3 billion was flexed without California and New York, down from \$4.2 billion. **Nationally, the percent of available flexible funds transferred drops from 12.5% to 8.0% when California and New York are excluded from the analysis.**

The performance of individual states can be analyzed without California and New York, as well. The average rate of states' flexible fund use from FY1992–FY1999, excluding California and New York, is 7.8%—substantially closer to the national rate of flexible fund use without California and New York (8.0%). This is significant because it indicates that California and New York are the prime factors in skewing the distribution. Again a median analysis shows that the remaining states that flex at a high rate are still causing a skewed result of our averaging. Because of the limited sample size, only 49 units, and broad range, 0% to 48.6%, the median is unlikely to closely match the mean. In this case, the median is 3.7%

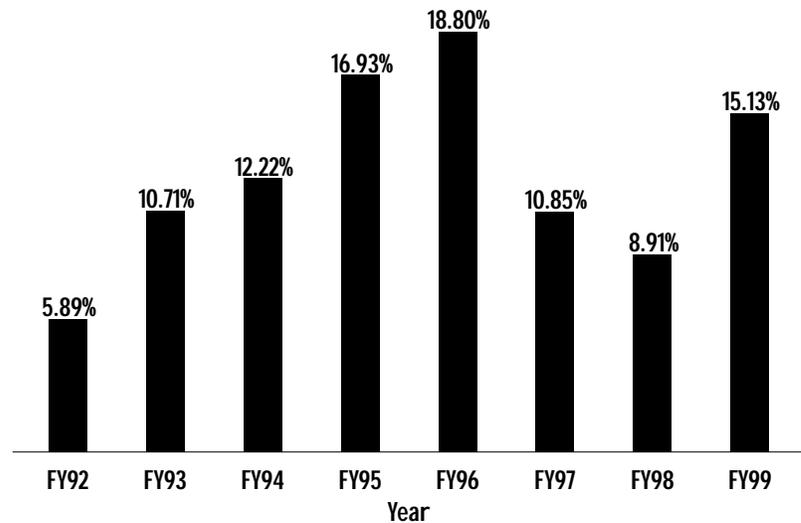
**D. Flexible fund use rose nationally between FY1992–FY1996, fell in FY1997 and FY1998, and rose again in FY1999.**

In addition to the variance in the rate of flexible funds used by states, each year between FY1992 and FY1999 saw changes in the portion of available funds transferred. The transfer of available funds began at 5.9% in FY1992, rose to a peak of 18.8% in FY1996, fell back to 8.9% in FY1998 and shot up again to 15.1% in FY1999. Specific reasons for this pattern are unclear. However, comparatively high levels of transfers in FY1995, FY1996, and FY1999 could be attributable to very large transfer amounts in these years from just a few states. In fiscal years 1996 and 1999, California

**Table 4**  
**States Transferring at Least \$150 Million of Available Flexible Funds FY1992–FY1999**

State	Transferred	Available	% of National Total
California	1,254,911,752	3,728,649,646	29.76%
New York	691,547,344	1,799,497,406	16.40%
Pennsylvania	284,438,258	973,761,245	6.75%
Massachusetts	214,205,121	509,324,739	5.08%
Illinois	199,223,851	1,472,505,287	4.72%
New Jersey	171,129,000	983,605,586	4.06%

**Figure 2**  
**National Percentage of Flexible Funds Transferred**



transferred \$271.5 and \$346.7 million, respectively—amounts that are substantially higher than the state's \$156.8 million eight-year average. Removing California from the equation brings the portion of available funds transferred in 1996 down to 12.4% and in 1999 down to 10.2%—much closer to the yearly national averages. Similarly, Pennsylvania transferred \$173.8 million in FY1995—much higher than the state's \$35.5 million average amount. Removing Pennsylvania from FY1995's figures brings the national average down to 12.9%. In sum, when the outliers are removed from each year's percentage totals, the trajectory plateaus.

Again, although it is somewhat unclear, very high figures for specific states are likely attributable to high-capital rail transit projects for which flexible funds are being tapped. For example, in 1996 the Los Angeles County Metropolitan Transportation Authority utilized a large amount of flexible funds to help cover the financing of Segment 3 of the Authority's Red Line subway project, a huge transit project in one of the largest systems in the country.<sup>8</sup> California's high 1999 figures are likely attributable to this project as well. However, higher figures could also be for a multitude of

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rather large projects in different regions within one state. In 1995, Pennsylvania was working on and securing funding for several transit projects/purchases: an airport busway in Pittsburgh, the construction of a downtown transit center in Williamsport, and the purchase of rolling stock for the Philadelphia region's rail system<sup>9</sup>. The uncertainty in determining the exact cause of the high figures is due to the lack of available, convenient data, which is addressed below.

The reasons for the relatively low figures in the first year of ISTEA may be explained by a lag time between the development of regional transportation plans and the attribution of projects to funding sources. In addition, some traditional highway projects were likely to be already in the works and driven by bureaucratic inertia, which precluded flexible funding innovations. It is also important to note that some states' figures represent carryovers from projects transferred in previous years.

#### IV. Behind the Trends: The Reasons for "Flexing" Are Unclear

Several states are doing well in availing themselves of the new opportunities provided by ISTEA and TEA-21 in adopting more flexible and innovative approaches to federal transportation spending. Massachusetts, New York, Oregon, Pennsylvania, California and the District of Columbia have transferred a quarter or more of their available highway funds for transit programs.

However, states are largely not taking advantage of the opportunities afforded by the new flexible funding provisions. When states are transferring, on average, 8.9% of their available funds, or even 3.9% of their funds at the median rate, the overall potential of flexible funding is not being

tapped. But why are there stark variations in the extent to which states are transferring their highway monies for transit projects? An attempt to go beyond an examination of unique circumstances in the states (e.g. major transit projects underway) to uncover common trends found that there is no clear cut story to why states are responding differently to the new flexibilities. However, one characteristic among those states that maximize their use of flexible funds does emerge—the states that "flex" their highway dollars the most also house the largest transit agencies in the nation.

#### A. Some high growth states transfer less of their highway funds for transit use.

As Table 5 shows, it appears that the states experiencing the greatest percentage increases in population may be accommodating this rapid growth by continuing to spend federal transportation dollars on highway-related projects, since these states have relatively low percentages of flexible fund transfers. For instance, of the eight fastest growing states in the U.S. between 1990 and 1999, all but two states transferred far less than the

average state rate (of 8.9%) of available funds for transit.

#### B. However, there are no strong regional or urbanized trends.

While many southern and western states flexed relatively little, so did Delaware (0.0%), Indiana (2.1%), New Hampshire (3.8%) and Wisconsin (4.2%). While other possible explanations based on population density, presence of large cities and regions spring to mind, the heterogeneity of states that use little available funding undermines these presumptions. Also, the absence of large cities did not always mean little flexible fund use—Vermont ranks seventh on the list (19.4%).

C. The states that take advantage of flexible funds the most are those that have urbanized areas with the largest transit agencies in the U.S. Most of the readily accessible information about flexible funding transfers shows state funding shifts. But it is also important to ascertain metropolitan or regional level policy decisions to transfer funds. Until 1999, FTA only

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**Table 5:  
Comparison of State Population Growth  
with State Transfer of Highway Funds for Transit<sup>10</sup>**

State	Rank/Percent Change in Population Growth (1990-1999)	Rank/Percent of Flexible Funds Transferred (FY1992-FY1999)
Nevada	1 (50.4)	32 (2.7)
Arizona	2 (30.4)	11 (14.1)
Idaho	3 (24.3)	28 (3.7)
Utah	4 (23.6)	30 (3.1)
Colorado	5 (23.1)	29 (3.6)
Georgia	6 (20.2)	21 (5.2)
Washington	7 (18.3)	10 (15.9)
Texas	8 (18.0)	23 (4.3)



recorded transfers by urbanized area (UZA) which is how general transit funds are appropriated. These delineations make metropolitan area analysis difficult. For example, the state of Maryland only transferred flexible funds in one UZA: Baltimore. However, there are substantial funds allocated to the District of Columbia UZA as well as the "Wash., DC-MD-VA" UZA which is listed under the state of Virginia. The grantees of these funds are also not apparent. An FTA Fact Sheet points out that "funding is made available to designated recipients that must be public bodies with the legal authority to receive and dispense Federal funds. Governors, responsible local officials and publicly owned operators of transit services are to designate a recipient to apply for, receive, and dispense funds."<sup>11</sup> Therefore, it

may be assumed that the transferred funds are used primarily by transit agencies.

The map below illustrates the states that are transferring the largest percentages of flexible funds, indicated in black. Layered over the map are white dots indicating the thirty largest transit agencies in the U.S. as determined by FTA<sup>12</sup>. Not surprisingly, **the 10 UZAs that transferred the most flexible funds between FY1992 and FY1998 are among the largest transit agencies in the U.S.**

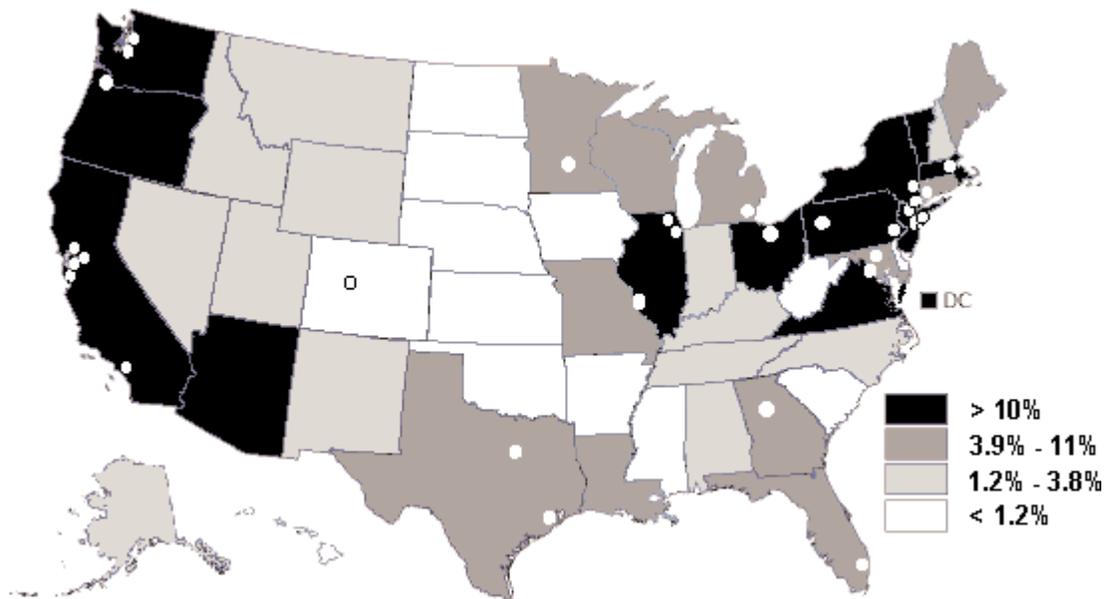
Those states and UZAs that are taking maximum advantage of the provisions permitting them to transfer funds from highways to transit are those where a very large transit agency is well established and, presumably, where related political power and fiscal sophistication are greatest. To be

sure, places like California, New York and the District of Columbia are transit intensive and have made clear decisions to maintain and grow transit infrastructure through the use of flexible funds. Of course, other states have low transit utilization and limited state and local funding for transit. When a local match is required, it may be difficult to justify even twenty percent of the costs of a project if local decision makers are not amenable to transit alternatives.

While it is obvious that there is mixed performance in states' use of flexible funds, it is hard to draw conclusions from this. There is much more information that we do not have. For example, we do not know how transferred funds are being used. To

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**Figure 3: Urbanized Areas Transferring the Most Funds, FY1992–FY1998**



- |                    |                       |
|--------------------|-----------------------|
| 1. New York        | 6. Chicago            |
| 2. Los Angeles     | 7. Boston             |
| 3. San Francisco   | 8. Pittsburgh         |
| 4. Philadelphia    | 9. Portland/Vancouver |
| 5. Northeastern NJ | 10. DC-WMATA          |



truly determine exactly where federal flexible funds are being spent, it would be necessary to examine the Transportation Improvement Programs (TIPs) of each urbanized area and scrutinize each project. In addition, flexible funding is only one indicator of how active states and cities have been in providing innovative solutions to transportation needs. The structure of FHWA and FTA grants to some degree allows for adequate creativity without flexing and, as mentioned, in rare cases highway funds are applied to transit projects administered by the FHWA. There is also probably a distinction between available funds and *realistically* available funds—since the purpose of the flex funding provisions was not to transfer all highway funds but to give decision makers the ability to do so, if desired. Of course, it is impossible to measure what is realistically available. Nevertheless, what can be inferred is that although some states and their respective departments of transportation are thinking multi-modally about spending federal dollars to address transportation challenges, others clearly are not.

## V. Next Steps

### A. Better Information Is Necessary

Obtaining the information for this analysis was not easy. Many different printed sources and assistance from U.S. DOT personnel were required to piece it together. The U.S. DOT desperately needs to provide better information related to flexible funding. Since FHWA and FTA data was required to conduct this analysis, the Bureau of Transportation Statistics would be an ideal agency to produce this type of information. FHWA maintains a Fiscal Management Information System containing data related to all highway projects financed by the Federal Government. Unfortunately, the wealth of information contained in this nationwide accounting system is not available to the general public

on-line and is only shared with a very few—such as state DOTs.

Aside from FTA's yearly Statistics Summaries series, the U.S. DOT has published no single document for at least five years that comprehensively addresses flexible funding use. The last such piece, "Intermodal Surface Transportation Efficiency Act: *Flexible Funding Opportunities for Transit FY '94*," was published by the FTA in 1993<sup>13</sup>. While a good resource of information, it is woefully out of date and obviously does not reflect changes related to the new legislation.

Other than the FTA pamphlet, only a hodgepodge of brief references and generalizations are available from the U.S. DOT. A number of FTA documents and the FHWA's TEA-21 website make significant mention of the ability of flexible funding to allow multi-modal decision-making in the transportation planning process, but none have done so comprehensively. FTA and FHWA documents list flexible fund obligations by urbanized areas and states, but these documents show great inconsistency for the reasons mentioned above.

### B. An Annual Report Is Needed

The U.S. DOT needs an annual report to account for flexible funding. "*Flexible Funding Opportunities for Transit*" was a good start, but it needs to be published regularly and with considerably more detail. A useful annual report would include:

- Annual and cumulative dollar amounts of highway funding that are: 1) available for transfer, 2) transferred, and 3) actually obligated from primary transfers (CMAQ, STP, etc.) and secondary transfers (i.e., Interstate Construction, National Highway System, Interstate Maintenance, Highway Bridge Replacement and Rehabilitation Program and Recreational Trails.).

- A specific description of the location and type of project that results from flexible funding, including action (planning, construction, repair, etc.), vehicle or mode (light rail, bus, trolley, bicycle, pedestrian, etc.), and product (plans, rolling stock, bicycle paths, traffic management equipment, etc).

- Location, project type and dollar amount of funding involved in transit projects still under FHWA administration (HOV, park-and-ride, as mentioned).

A comprehensive annual report with these elements would allow researchers, citizens, local and state governments and the U.S. DOT to make better policy decisions related to transportation. The report would allow the rate of use of flexible funding to be gauged over time and across jurisdictions. This would make targeted informational programs possible by identifying the jurisdictions that are becoming more multi-modal over time and those that are less diversified than their neighbors and peer jurisdictions. Clear differentiations between transfers and obligations would illustrate when policy decisions are made on the local level to reassign funds, and subsequently, when the project funds are spent (i.e., when projects reach maturity). This would give insight into breakdowns in the planning process and indicate improvements that can be made. Documenting how flexible funding is being used would indicate what types of transit are in demand and how local transit agencies are addressing transportation problems.

Wide dissemination of such a report would assist states and MPOs in identifying their options related to transportation finance and would conceivably help them address transportation challenges through a balanced, multi-modal approach.

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## VI. Appendix: Data and Methods

As mentioned, data was compiled from a variety of sources. Information to determine the total amount of available funds for each state was gleaned from tables listing apportionment of federal-aid highway funds administered by FHWA and contains detailed amounts for each state's allotment of all ISTEA funding categories. Figures for FY1992–FY1997 were obtained from individual files, sorted by year, found on U.S. DOT's Western Resource Center Field Finance Homepage ([www.wfc.fhwa.dot.gov](http://www.wfc.fhwa.dot.gov)). Figures for FY1998–FY1999 came from supplementary tables, supplied by U.S. DOT staff. From these tables, STP funds were multiplied by 80% and added to the full amount of CMAQ funds apportioned to each state to determine available funds for each year. The amount of these funds that each state transferred is contained in tables listed in FTA's *Statistical Summaries* report, and updated by U.S. DOT staff. Since STP and CMAQ funds make up the bulk of the highway funds transferred for transit use, other funding categories were excluded from this analysis. It is important to note that of these other funds flexed for transit, nearly three-fourths went to the state of New York.

## Endnotes

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The author wishes to thank Nathaniel Parker of National Transit Database Project and a former intern with the Center on Urban and Metropolitan Policy for his arduous work and patience in pulling together the data for this complex project. The author wishes to thank Matt Welbes, Tom Buffkin, Nancy Grubb and Granville Hurley of FTA; Harriet Smith of the Intelligent Transportation Society of America; Michelle Garland and Barbara McCann of the Surface Transportation Policy Project; and Terry Bronson of the American Public Transportation Association for their review, comments, and assistance with this survey.
- 2 Robert A. Borski (D-PA); U.S. House of Representatives, Railroad Subcommittee, Committee on Transportation and Infrastructure, ISTEA Rail Infrastructure Programs, March 18, 1997, Washington, DC.
- 3 The subtle but significant differences between *transferred* funds and *obligated* funds should be noted. Transit projects must be identified in the approved regional transportation planning process and appear in a fiscally-constrained metropolitan Transportation Improvement Program (TIP) and Statewide Transportation Improvement Program (STIP) with an identified funding source. This is the key element this survey wishes to track—when the decision is made on the statewide level to transfer highway funds for transit. Once the decision has been made to transfer flexible funds to a specific transit project, an application is submitted to the relevant regional or metropolitan FTA office. Concurrently, the grantee must notify the state highway/ transportation department that it has requested highway funds be *transferred*. Upon determination by the state agency that the request is acceptable and matching funds (where applicable) are available, the funds are then considered *obligated*.
- 4 Secondary transfers refer to funds that originate from other funding categories such as Interstate Construction, National Highway System, Interstate Maintenance, Highway Bridge Replacement and Rehabilitation Program and Recreational Trails. See "Changing Direction: Federal Transportation Spending in the 1990s" by the Surface Transportation Policy Project for a comprehensive look at all funding categories for all modes as well as complete expenditure details by state. <http://www.transact.org>.
- 5 STP money can purchase buses or rail cars, build or improve rail systems, pay for transit planning, research and development, fund car/vanpools and construct bicycle and pedestrian facilities. Eighty percent of funds may be transferred to other highway programs or to transit programs. CMAQ funds can be used for transit construction projects that will increase mass transit ridership, thereby reducing vehicle emissions. CMAQ all can pay for planning and operating costs associated with new systems that improve air quality. Pedestrian and bicycle facilities, traffic congestion mitigators, mass transit and multimodal facilities and traffic management systems are also fundable through CMAQ. Twenty percent of these funds can be transferred to STP, though *all* of the funds may be transferred to transit programs.
- 6 The America Public Transportation [née Transit] Association. July 1998. *TEA-21: A Summary of Transit-Related Provisions*. p. 15.
- 7 Statistics compiled from a collection of federal sources including:
  - U.S. Department of Transportation, Federal Transit Administration, *1998 Statistical Summaries: FTA Grant Assistance Programs*, FTA-TPM-10-99-1, Washington, DC: 1999, and updated Table 42 "FY 1992-FY1999 Flexible Fund Transfers by CMAQ, STP and Other."
  - U.S. Department of Transportation, Federal Highway Administration, *Apportionment of Federal-Aid Highway Funds Administered by the Federal Highway Administration for Fiscal Years 1991 – 1998*. Field Finance Homepage: <http://www.wfc.fhwa.dot.gov>.
  - U.S. Department of Transportation, Federal Highway Administration, *Supplementary Tables—Apportionments Authorized for Fiscal Year 1998*. August 14, 1998.
  - U.S. Department of Transportation, Federal Highway Administration, *Supplementary Tables—Apportionments Authorized for Fiscal Year 1999*. October 26, 1998.

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### Endnotes (continued)

- 8 U.S. General Accounting Office. "Los Angeles Red Line: Financing Decisions Could Affect This and Other Los Angeles County Rail Capital Projects." GAO/RCED-96-147. May 1996.
- 9 U.S. Department of Transportation, Federal Transit Administration, *FY 1995 ISTEA Flexible Funds Transferred from FHWA and Obligated for Use in FTA Transit Projects in FY 1995*, September 30, 1995, <http://www.fta.dot.gov/library/money/flexible/95FLEXED.HTM>.) and U.S. Department of Housing and Urban Development, Office of Community Planning and Development, *Williamsport, PA Consolidated Plan for 1995 Executive Summary*, <http://www.hud.gov/cpes/pa/willipa.html>.
- 10 U.S. Census Bureau, Population Division, Population Distribution Branch, *Percent Change in Population for U.S. States: 1990 to 1999*, Last Revised: February 11, 2000, <http://www.census.gov/population/www/estimates/stmap04.html>.
- 11 U.S. Department of Transportation, Federal Transit Administration, *FTA Fact Sheet-Urbanized Area Formula Grants*: <http://www.fta.dot.gov/library/policy/9030.1C/chp4.htm>.
- 12 U.S. Department of Transportation, Federal Transit Administration, *National Transit Database: Transit Agency Information*, <http://www.ntdprogram.com>.
- 13 Additional versions of this document were re-published for FY95 and FY96 but do not differ dramatically from the FY93 document, so the point is still valid.

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