

## A Primer on Federal Funding for Public Transportation

### **INTRODUCTION**

The Safe, Accountable, Flexible, Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU), authorizes federal transit and highway programs through Fiscal Year (FY) 2009. The bill was signed into law by President Bush on August 10, 2005

SAFETEA-LU builds on the success of two previous surface transportation authorization laws, the Intermodal Surface Transportation Efficiency Act (ISTEA) and the Transportation Equity Act for the 21st Century (TEA 21). Under it, the federal transit program structure remains largely the same, retaining formula programs that target federal investment to systems and communities based on need and capital investment programs that address special needs and projects. The new law makes a number of changes to existing programs and adds new ones.

### **FORMULA PROGRAMS**

Formula programs are those under which funds are apportioned by a formula specified in authorizing law. SAFETEA-LU moves several programs from other categories into a new "Formula and Bus Capital" category for authorization beginning in FY 2006. The new aggregation of programs is intended to allow all formula programs and the Bus Capital program to be funded from a single authorization from the Mass Transit Account.

#### **• URBANIZED AREA FORMULA PROGRAM (5307)**

SAFETEA-LU preserves the existing formula program and its distribution factors, but creates several new programs or tiers to distribute a portion of the funds to urbanized areas (UZAs). It establishes a new tier for transit intensive urbanized areas with fewer than 200,000 in population and extends the authority to use formula funds for operating purposes in urbanized areas reclassified as being larger than 200,000 in population under the 2000 Census.

#### **• OPERATING ASSISTANCE FOR SMALL URBANIZED AREAS (5307B)**

Transit agencies in urbanized areas that grew from fewer than 200,000 in population under the 1990 Census to more than 200,000 in population under the 2000 Census may continue to use formula funds for operating expenses in FY 2005 at 100 percent of their FY 2002 apportionment, in FY 2006 at 50 percent of their FY 2002 apportionment, and in FY 2007 at 25 percent of their FY 2002 apportionment.

#### **• RURAL FORMULA PROGRAM (5311)**

SAFETEA-LU significantly increases funding for the rural program of the transit formula program. A new formula tier based on land area is established to address the needs of low-density states (20 percent of section 5311 funds are distributed through this tier). Indian tribes are added as eligible recipients, and a portion of funding is set aside each year for Indian tribes - \$8 million in FY 2006 and rising to \$15 million by FY 2009. The sliding scale federal match under the federal highway program for states with a high percentage of federal lands is applicable under the section 5311 program.

#### **• ELDERLY INDIVIDUALS AND INDIVIDUALS WITH DISABILITIES PROGRAM (5310)**

SAFETEA-LU maintains the current program for special needs of elderly individuals and individuals with disabilities. Because of strong interest in extending the authority to use section 5310 grant funds for operating assistance, a new seven-state pilot program is established for fiscal years 2006 through 2009 to determine whether expanded authority to use up to 33 percent of the funds apportioned under section 5310 for operating costs improves services to elderly individuals and individuals with disabilities. Four of the states in the pilot program are specified in law - Wisconsin, Alaska, Minnesota, and Oregon - along with three other states to be selected by the Secretary.

#### **• NEW FREEDOM PROGRAM, (5317)**

A new program called the New Freedom Program will provide formula funding for new transportation services and public transportation alternatives beyond those required by ADA to assist persons with disabilities. The New Freedom Program will be apportioned using a formula based on the disabled popula-

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tion in a state, with 60 percent of the funds apportioned to urbanized areas with populations larger than 200,000, 20 percent to states for use in urbanized areas of fewer than 200,000, and 20 percent to states for use in rural areas. Funds will be made available to transit systems and the states. The program contains language mandating coordination of transportation services with other federal human service programs.

• **JOB ACCESS AND REVERSE COMMUTE (JARC) PROGRAM (5316)**

The JARC program is changed to become a formula program rather than the existing competitive discretionary grants program. The formula is based on ratios involving the number of eligible low-income and welfare recipients with 60 percent of funds going to urban areas with more than 200,000 population, 20 percent for urban areas with fewer than 200,000 population, and 20 percent to rural areas. SAFETEA-LU contains report language directing the FTA to continue its practice of providing maximum flexibility to job access projects designed to meet the needs of individuals who are not effectively served by public transportation. Coordination is required between private, non-profit, and public transportation providers and other federal programs in the JARC program, the New Freedom Program, and the Elderly and Disabled program.

**CAPITAL INVESTMENT PROGRAMS**

Capital Investment programs provide funds for transit capital projects that meet specific criteria either by allocation where the project is named or by apportionment under a formula. Capital Investment Projects include the New Starts, Fixed Guideway Modernization, and Bus and Bus Facilities programs. For authorization of amounts for SAFETEA-LU, however, Fixed Guideway Modernization and Bus and Bus Capital programs are included under authorizations for Formula and Bus Capital Programs beginning in FY 2006.

• **NEW STARTS PROGRAM (5309)**

SAFETEA-LU does not change the basic New Starts program or the current federal share of 80 percent. A new Small Starts Program is created for smaller projects with a federal share of less than \$75 million. The current three-level rating system for New Starts is replaced by a five-level system - High, Medium High, Medium, Medium-Low, Low. Economic development/land use is explicitly added to the project justification criteria. A grantee will be allowed to keep a portion of the cost savings when projects are completed under budget. A higher than requested federal share can be provided for projects which keep cost and ridership estimates within 10 percent of the forecasts used as basis for establishing locally preferred alternative. FTA is to implement New Start Program changes by a rulemaking. There is a pilot program to demonstrate the benefits of public/private partnerships.

The law includes four categories of earmarks: specific annual funding levels for projects that have Full Funding Grant Agreements; a listing without any funding amounts for projects authorized for final design and construction grants; a listing without any funding amounts for projects authorized for preliminary engineering grants; and a listing with maximum amounts during the SAFETEA-LU period for additional projects not categorized by their status.

• **SMALL STARTS PROGRAM (5309e)**

A new "Small Starts" (Capital Investment Grants Less Than \$75,000,000) program would provide funding for smaller projects with a federal New Starts share of less than \$75 million, including streetcar, trolley, bus rapid transit (if a substantial portion of the project operates in a separate right of way in a defined corridor dedicated for public transit use during peak hours or it has other characteristics of a fixed guideway system), and commuter rail projects. Small Starts projects may not total more than \$250 million. Simplified procedures and criteria apply to the program. The program will be funded with a \$200 million takedown from the New Starts apportionment annually beginning in FY 2007.

• **BUS AND BUS FACILITIES PROGRAM (5309)**

Bus and Bus Facilities is classified as a formula program for authorization in SAFETEA-LU but remains in the section 5309 Capital Investment program. SAFETEA-LU makes few changes to the program, but provides significant increases in funding. Some 600 earmarks are included in this section; these earmarks cover about half of the Bus and Bus Facilities program resources in each fiscal year through FY 2009. A new intermodal facilities program is established with a \$35 million annual set aside from the discretionary bus program. The intercity portion of intermodal terminals is eligible for funding under this program if the facility serves as a connector to public transportation. In addition, \$10 million is now available annually under the Bus Program for ferry boats or related terminals with the funds earmarked for specific projects.