

Check out
the video

Federal-aid Program Overview Funding Basics and Eligibility Funding Basics and Eligibility

www.fhwa.dot.gov/federal-aidessentials

Key points must be understood about the Federal-aid Highway Program and how its funds can be used



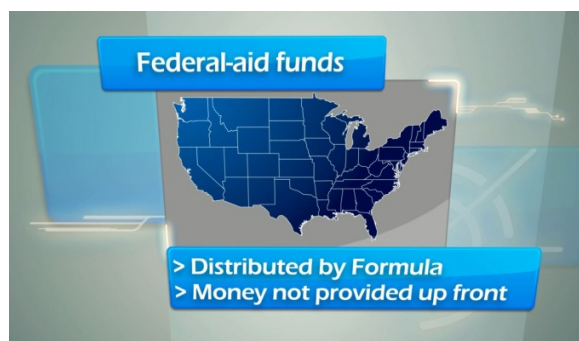
If you're considering using Federal-aid Highway Program funds on a local public agency, or LPA, project, you'll need to understand some key points about this type of funding and how you can use it. This overview module will help you attain awareness about Federal-aid funding itself and some important criteria that you'll need to meet in order to use the money on your project.

Let's begin with a brief explanation of the source of Federal-aid funding, and how these funds are provided to and administered by the States.



Congress established the Highway Trust Fund in 1956 to support building the interstate system as one of the earliest major initiatives of the Federal-aid Highway Program. Today, this fund continues to provide a steady source of surface transportation financing for the Federal-aid program. User fees such as gasoline taxes go into the Highway Trust Fund to finance surface transportation system projects, primarily for highways and bridges.

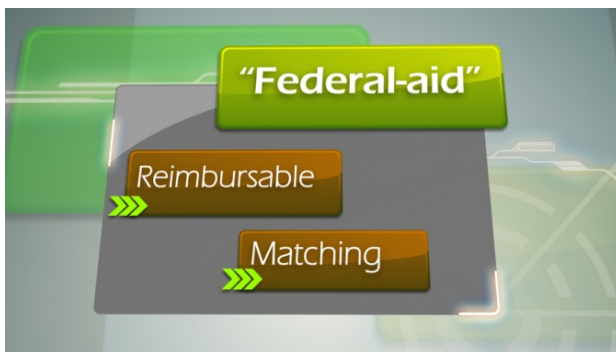
Federal-aid funds are generally distributed to States using formulas specified in Federal law, although the money is not provided up front. The Federal law provides a promise of future reimbursement. The funds distribution enables a State department of transportation, or State DOT, to enter into agreements with the Federal Highway Administration, or FHWA, that will ultimately be reimbursed from Highway Trust Fund receipts. The funds distribution is provided to each State within funding categories or programs that focus on key areas, such as the Surface Transportation Program and the Highway Safety Improvement Program.



State DOTs are the designated recipients or "grantees" for the funds, and LPAs are sub-recipients or "sub-grantees," meaning LPAs receive funds via the State DOT. State DOTs oversee decisions regarding the selection of projects for funding and are responsible for ensuring Federal requirements are met, including those for funds eligibility.



Two important characteristics of Federal-aid are that it is both a reimbursable and a matching program. Reimbursable means that FHWA pays grantees and sub-recipients the actual eligible expenses incurred on a progress payment basis. Money is not provided in advance, so a State DOT or LPA must initially finance the project. The States and the LPAs incur project costs and are reimbursed with Highway Trust Fund receipts. A matching program means that the Federal funds are matched with State or local resources to cover the total project cost. Federal funds typically provide 80 percent of the project's eligible cost, with the remaining 20 percent provided by State or local agency funding.



Now that you have a general awareness of where Federal-aid funds come from and how they make their way to local projects, let's introduce a few of the important criteria for using the funds.

The first criterion to note is that most funds must be used on eligible highways, often termed

"Federal-aid highways." An eligible highway must have a certain functional classification, which may not include all LPA roads.

Each State DOT maintains maps showing highway functional classifications and can help you determine whether your project is eligible for Federal-aid highway funding. There are some exceptions that permit certain funding programs to be used for projects on other public roads. You should contact your State DOT to get more information on Federal-aid funding programs that lend themselves to use on LPA projects.

A second important criterion is that Federal-aid funding is available for capital improvements and planned upkeep of highway assets. Federal-aid funding may not be used for routine maintenance, such as pothole patching, mowing, snow removal or graffiti removal.



Another criterion is that Federal-aid funds are provided to States within specific funding programs, and each one has its own eligibility criteria for allowable work. For example, Surface Transportation Program funds must be used for eligible surface transportation project activities and Highway Safety Improvement Program (HSIP) funds must be used for certain safety projects. The Highway Safety Improvement Program is an example of funding that can be used for eligible projects on any public road, even if not on a Federal-aid highway.

Another major criterion to note is your project must be included in the Statewide Transportation Improvement Program, or STIP, to be eligible for Federal-aid funds. The STIP is the State DOT's multi-year list of selected projects resulting from collaboration with urban planning agencies, known as metropolitan planning organizations, and with LPAs.

Being aware of the nature of Federal-aid funds – and the criteria for using them – is a good starting point for pursuing Federal funding for your LPA projects. This video is meant to raise your awareness of funding basics and important eligibility criteria. We learned previously in this video that Federal-aid can only be used on eligible highways, and that the Federal-aid Highway Program is both a reimbursable and a matching program. The Federal-aid Highway Program is for capital improvement and significant upkeep, and not for routine maintenance. We also learned that there are unique eligibility requirements for each funding program or category, and that your project must be in your State DOT's STIP to be eligible.

More in-depth information about Federal-aid Highway Program funding can be obtained from the module's companion resources, Web links and your State DOT.

Additional Resources

- List of free FHWA Web-based training through NHI, including course 310115, *Introducing Highway Federal-Aid*
http://www.nhi.fhwa.dot.gov/training/list_catalog.aspx?cat=&key=&num=&loc=&sta=%&typ=3&ava=1&str=&end=&tit=&lev=&drl=
- Link to publication that explains financing Federal-aid projects from start to finish
<http://www.fhwa.dot.gov/reports/financingfederalaid/index.htm>
- Link to *A Guide to Federal-Aid Programs and Projects* and info about Federal-aid core programs
<http://www.fhwa.dot.gov/federalaid/projects.cfm>
- FHWA's LPA Web site that includes reference, contact, and training information
<http://www.fhwa.dot.gov/federalaid/lpa/>

The content of this document is not a substitute for information obtained from State departments of transportation, appropriate FHWA Division Offices, and applicable laws. Scenarios have been simplified for emphasis and do not necessarily reflect the actual range of requirements applicable to the scenario or this topic. This document was created under contract number DTFH61-11-D-00023 by the Federal Highway Administration, U.S. Department of Transportation, and is offered to the public to heighten and focus awareness of Federal-aid requirements within the local public agencies community and reinforces the importance of these necessary policies, procedures, and practices.

This Companion Resource is the script content for the video production of the same name.