DISCLAIMER: Any opinions, findings, and conclusions or recommendations expressed in this publication are those of the Author(s) and do not necessarily reflect the view of the Federal Highway Administration. This material is based upon work supported by the Federal Highway Administration under cooperative agreement No. DTFH61-08-H-00033.
# Table of Contents

**Introduction** .......................................................................................................................................................... 1

**Structure of the TE Program** ............................................................................................................................... 2
  - Authorization of Funding for the Program .............................................................................................................. 2
  - Transportation Projects Eligible for Funding ........................................................................................................ 2
  - The 12 Transportation Enhancement Activities ................................................................................................ 4
  - The 10 Transportation Alternatives Activities .................................................................................................. 6

**Administration of TE Funding and Projects** ......................................................................................................... 8
  - Federal Role, State Role, Regional Role ................................................................................................................ 8

**The Federal Financing Life-Cycle** ....................................................................................................................... 9
  - Authorization of Funding ..................................................................................................................................... 9
  - Apportioned Funding ............................................................................................................................................. 9
  - Allocation & Suballocation .................................................................................................................................... 10
  - Appropriations ...................................................................................................................................................... 10
  - Programming ......................................................................................................................................................... 10
  - Surface Transportation Program Set-aside ............................................................................................................ 10
  - Obligations ............................................................................................................................................................ 10
  - Reimbursements .................................................................................................................................................... 10
  - Rescissions ............................................................................................................................................................ 11
  - Transfers ............................................................................................................................................................... 11

**Obligations: In Depth** .............................................................................................................................................. 12
  - Obligation Limitation ............................................................................................................................................. 12
  - Accumulation of Unobligated Funding ................................................................................................................ 12
  - Deobligation ......................................................................................................................................................... 12

**Other Important Concepts** .................................................................................................................................. 13
  - The Highway Trust Fund ..................................................................................................................................... 13
  - Budget Authority ................................................................................................................................................... 13
List of Figures

Figure 1: Budget Breakdown for Four Transportation Authorizations.................................................................3
Figure 2: Timeline of Transportation Authorization Acts ...................................................................................8
Figure 3: The Transportation Funding Lifecycle ...............................................................................................9
Figure 4: How TE Funding Accumulates from Year to Year ...........................................................................9
Introduction

This document serves to demystify the complexities of the Federal-aid Highway Program and provide an introductory lesson on the terms, key functions, and workings of the program. Specifically, this primer focuses on the Transportation Enhancements activities and Transportation Alternatives Program. (Although the Transportation Alternatives Program is a revised version of the Transportation Enhancements activities, for the sake of simplicity, this report primarily uses Transportation Enhancements to explain the concepts unless otherwise noted.)

This primer will introduce you to the critical concepts used in the annual Transportation Enhancements Spending Report which provides a detailed analysis of the Transportation Enhancements activities since 1992. This document begins with an examination of the structure of the Transportation Enhancements activities including a detailed history of the program. Next, the Primer reviews the eligible uses of funding for both the Transportation Enhancements activities and Transportation Alternatives Program. Then, the brief reviews the role of the federal, state, and regional governments. Afterwards, it covers the federal financing lifecycle including concepts such as apportionments, obligations, and rescissions. An in depth look at obligations including an overview of limitations, accumulation, and deobligation follows. Finally, this document presents other important concepts such as budget authority and the Highway Trust Fund.

<table>
<thead>
<tr>
<th>Common abbreviations used in this report:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TE</strong>: Transportation Enhancement Activities</td>
</tr>
<tr>
<td><strong>TA</strong>: Transportation Alternatives</td>
</tr>
<tr>
<td><strong>TAP</strong>: Transportation Alternatives Program</td>
</tr>
<tr>
<td><strong>RTP</strong>: Recreational Trails Program</td>
</tr>
<tr>
<td><strong>SRTS</strong>: Safe Routes to School</td>
</tr>
<tr>
<td><strong>FHWA</strong>: Federal Highway Administration</td>
</tr>
<tr>
<td><strong>NTAC</strong>: National Transportation Alternatives Clearinghouse</td>
</tr>
<tr>
<td><strong>DOT</strong>: Department of Transportation</td>
</tr>
<tr>
<td><strong>FTA</strong>: Federal Transit Administration</td>
</tr>
<tr>
<td><strong>FMIS</strong>: Fiscal Management Information System</td>
</tr>
<tr>
<td><strong>ISTEA</strong>: Intermodal Surface Transportation Efficiency Act of 1991</td>
</tr>
</tbody>
</table>
Transportation Enhancements & Alternatives Primer

Structure of the TE Program

Authorization of Funding for the Program

The U.S. Congress usually crafts multi-year authorization legislation for surface transportation to enable strategic long-term programs and investments in the nation’s surface transportation infrastructure. The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) was the authorizing legislation that established a dedicated funding stream for a set of newly defined TE activities under the U.S. DOT’s Federal-aid Highway Program. Ten percent of Surface Transportation Program (STP) funding, plus ten percent of the portion of Minimum Allocation funding distributed to the STP, were set aside for TE activities. The dedication of Federal-aid Highway funding specifically for TE demonstrated a significant shift in national transportation policy. Prior to ISTEA, many important transportation needs had been excluded from the normal routine of planning, funding, and building transportation infrastructure. Under ISTEA, Congress ensured that funding would be available for bicycle and pedestrian transportation, for the preservation and enhancement of many of the nation’s scenic and historic assets, and to address and protect environmental systems that form the context for much of America’s transportation infrastructure.

In 1998, Congress reauthorized the U.S. DOT’s Federal-aid surface transportation programs through the Transportation Equity Act for the 21st Century (TEA-21). The 10% set-aside for TE (from STP) continued with minor adjustments. Under TEA-21, “Minimum Guarantee” funding replaced “Minimum Allocation” funding and a new concept of Revenue Aligned Budget Authority (RABA) funding was authorized, with ten percent of the RABA funding apportioned as STP funding also being set aside for TE activities. These changes and overall increases under TEA-21 meant that TE funding levels increased by 40%. The scope of TE expanded with a broader definition and two new eligible TE activities (see pages 4 and 5 for the list of eligible TE activities). TEA-21 also added the stipulation that projects must relate to surface transportation in order to receive TE funding. TEA-21 expired at the end of FY 2003. Twelve extensions were enacted over a period of two years after the original expiration date for TEA-21 before new authorizing legislation was passed.

On August 10, 2005, Congress enacted the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Several small changes were incorporated into the statutory language defining the eligible activities. SAFETEA-LU affirmed and continued the 10% set-aside for TE with “Equity Bonus” replacing “Minimum Guarantee” funding, and it stipulated that TE apportionments for each fiscal year meet or surpass the baseline level established in FY 2005 funding.

SAFETEA-LU expired on September 30, 2009, but funding authorization continued through a series of nine short term extensions. On July 6, 2012 the Moving Ahead for Progress in the 21st Century Act (MAP-21) was signed into law. MAP-21 made drastic changes to many of the multimodal programs of the Federal-aid Highway program. Several Transportation Enhancements activities were eliminated or revised and recast as Transportation Alternatives. The Transportation Alternatives were combined with the Recreational Trails Program, Safe Routes to School Program, and the creation of boulevards from former divided highways to create the Transportation Alternatives Program. The consolidation of these programs is associated with a 26.37% reduction in total funding for all three programs from FY 2009 funding levels. Additional funding from the Surface Transportation Program can also be used to fund TAP projects. Several other changes were made to the program; learn more about the changes at www.ta-clearinghouse.info/.

Transportation Projects Eligible for Funding

For a project to be eligible for TE funds, federal law states that the project must relate to surface transportation and must qualify under one or more of 12 eligible activities shown on pages 4 and 5. Additionally, projects may qualify through the 10 eligible TA activities, the Safe Routes to School Program, or the Recreational Trails Program as shown on pages 6 and 7. States may impose narrower
eligibility restrictions. A TE project must be accessible to the public, and may be a “stand-alone” project or an additional enhancement to a larger highway project.

According to the authorizing legislation, TE activities must “relate to surface transportation.” Each state DOT works with its FHWA Division office representatives to ensure that projects demonstrate a substantial relationship to the surface transportation system. The following factors can help establish this relationship, though none of them necessarily “make or break” the case:

**Function** – The project serves, or has served, as a functional component of the intermodal surface transportation system.

**Proximity** – The project is contiguous to or clearly visible from a publicly accessible transportation facility. However, proximity alone is not enough - if the relationship to the transportation system is solely by proximity, the proposed activity must significantly enhance the overall surface transportation system.

**Impact** – The project has a significant beneficial impact on the surface transportation system or addresses a significant negative impact of surface transportation on a resource.

TE funding may not be used for routine maintenance nor for TE program administrative, research, and/or training costs. However, planning related to a specific project is eligible for funding. TA funding however must be selected by an eligible entity through a competitive process.
The 12 Transportation Enhancement Activities

A Transportation Enhancement is any activity related to surface transportation that fits one or more of these twelve categories.

**Pedestrian and bicycle facilities:**
New or reconstructed sidewalks, walkways, curb ramps, bike lane striping, paved shoulders, bike parking, bus racks, off-road trails, bike and pedestrian bridges, and underpasses.

**Safety and educational activities for pedestrians and bicyclists:**
Programs designed to encourage walking and bicycling by providing potential users with education and safety instruction through classes, pamphlets, and signs.

**Acquisition of scenic easements and scenic or historic sites, including historic battlefields:**
Acquisition of scenic land easements, vistas, and landscapes, including historic battlefields; purchase of building in historic districts or historic properties.

**Scenic or historic highway programs including tourist and welcome center facilities:**
Construction of turnouts, overlooks, visitor centers, and viewing areas, designation signs, and markers.

**Landscaping and other scenic beautification:**
Street furniture, lighting, public art, and landscaping along street, highways, trails, waterfronts, and gateways.

**Historic preservation:**
Preservation of buildings and façades in historic districts; restoration and reuse of historic building for transportation-related purposes; access improvements to historic sites and buildings.

Visit the NTAC Image Library at www.ta-clearinghouse.info/project_examples to view more pictures of these projects as well as other great TE projects.
Rehabilitation and operation of historic transportation buildings, structures, or facilities:
Restoration of historic railroad depots, bus stations, canals, canal towpaths, historic canal bridges, and lighthouses; rehabilitation of rail trestles, tunnels, and bridges.

Preservation of abandoned railway corridors and the conversion and use of the corridors for pedestrian or bicycle trails: Acquiring railroad rights-of-way; planning, designing and constructing multi-use trails; developing rail-with-trail projects; purchasing unused railroad property for reuse as trails.

Inventory, control, and removal of outdoor advertising: Billboard inventories or removal of nonconforming billboards.

Archeological planning and research: Research, preservation planning, and interpretation; developing interpretive signs, exhibits, guides inventories, and surveys.

Environmental mitigation to address water pollution due to highway runoff or to reduce vehicle-caused wildlife mortality while maintaining habitat connectivity: Runoff pollution mitigation, soil erosion controls, detention and sediment basins, river cleanups, and wildlife crossings.

Establishment of transportation museums: Construction of transportation museums, including the conversion of railroad stations or historic properties to museums with transportation themes and exhibits, or the purchase of transportation related artifacts.

These photos are actual TE projects funded within the 12 categories. States are responsible for selecting projects and may choose not to fund a particular category. FHWA State Division staff ensure compliance with requirements in the obligation process.
The 10 Transportation Alternatives Activities

A Transportation Alternative is any activity related to surface transportation that fits one or more of these ten categories. In addition, projects eligible under the Recreational Trails Program and Safe Routes to School Program qualify.

1. **Pedestrian and bicycle facilities:** New or reconstructed sidewalks, walkways, curb ramps, bike lane striping, paved shoulders, bike parking, bus racks, off-road trails, bike and pedestrian bridges, and underpasses.

2. **Safe Routes for Non-Drivers:** Access and accommodation for children, older adults, and individuals with disabilities.

3. **Conversion of Abandoned Railway Corridors to Trails:** Acquisition of railroad rights-of-way; planning, design and construction of multiuse trails and rail-with-trail projects.

4. **Scenic Turnouts and Overlooks:** Construction of scenic turnouts, overlooks, and viewing areas.

5. **Outdoor Advertising Management:** Billboard inventories and removal of illegal and nonconforming billboards.

6. **Historic Preservation & Rehab of Historic Transportation Facilities:** Restoration of railroad depots, bus stations and lighthouses; rehabilitation of rail trestles, tunnels, bridges and canals; more.

Visit the NTAC Image Library at [www.ta-clearinghouse.info/project_examples](http://www.ta-clearinghouse.info/project_examples) to view more pictures of these projects as well as other great TE projects.
Vegetation Management: Improvement of roadway safety; prevention of invasive species; providing erosion control.

Archaeological Activities: projects related to impacts from implementation of highway construction projects.

Stormwater Mitigation: Pollution prevention and abatement activities to address stormwater management; water pollution prevention related to highway construction or due to highway runoff.

Wildlife Management: Reduction of vehicle-caused wildlife mortality; restoration and maintenance of connectivity among terrestrial or aquatic habitats.

Recreational Trails Program: Construction and maintenance of recreational trails, trailside and trailhead facilities, acquisition of easements, assessment of trail conditions, publications and educational programs, administrative costs, more.

Safe Routes to School Program: Sidewalk, traffic calming, and pedestrian and bicycle crossing improvements, on/off-street bicycle facilities, secure bicycle parking facilities, traffic diversion improvements, Public awareness and outreach, traffic education and enforcement, bicycle and pedestrian safety, administrative costs, funding for training, SRTS coordinators,

* The planning, designing, or constructing of boulevards in the right-of-way of former Interstate System routes or other divided highways is also eligible.

These photos are actual TE/TA-eligible projects funded within the 10 categories. States are responsible for selecting projects and may choose not to fund a particular category. FHWA State Division staff ensure compliance with requirements in the obligation process.
Administration of TE Funding and Projects

**Federal Role**

Like other components of the Federal-aid Highway Program, TE activities are federally funded and state administered. Federal Highway Administration (FHWA) division office staff provide guidance, stewardship, and oversight for the use of TE funding. FHWA disburses federal funding to the states and the District of Columbia via formula apportionments. State DOTs administer apportioned TE funding and solicit and select projects for implementation. The FHWA division offices in each state provide Federal oversight according to guidance developed by FHWA Headquarters’ Office of Planning, Environment, and Realty.

**State Role**

Federal transportation law provides flexibility to states in regard to managing and administering TE funding. State DOTs use a wide range of approaches to the various aspects of TE management, including soliciting and selecting TE projects; involving local sponsors; engaging regional transportation planning organizations; administering the various federal options for financing matching funding; managing project development; and construction contracting. Collectively, these approaches and procedures are now commonly referred to as TE programs. Every state publishes a document describing its unique program guidelines and policies. Detailed information about a particular state's TE program can be found on the NTAC website, [www.ta-clearinghouse.info/stateprofile](http://www.ta-clearinghouse.info/stateprofile), along with contact information for the TE Manager in each state.

**Regional Role**

For Transportation Alternatives Program funding specifically, a portion of funding is suballocated (See page 10) to areas based upon their relative share of the state’s total population. 50% of a state’s funding must be split proportionally between areas with <5,000, 5,001 – 200,000, and areas with >200,000. For urbanized areas with more than 200,000 people, the Metropolitan Planning Organization is responsible for project selection and administration in conjunction with the state’s transportation agency.

**Figure 2: Timeline of Transportation Authorization**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12/91</td>
<td>12/93</td>
<td>01/96</td>
<td>02/98</td>
</tr>
<tr>
<td>ISTEA Expires</td>
<td>03/00</td>
<td>03/02</td>
<td>04/04</td>
</tr>
<tr>
<td>TEA-21 Expires</td>
<td>05/06</td>
<td>05/08</td>
<td>06/10</td>
</tr>
<tr>
<td>TEA-21 Ext. 1</td>
<td>SAFETEA-LU Ext. 9</td>
<td>SAFETEA-LU Ext. 8</td>
<td>SF</td>
</tr>
</tbody>
</table>
This section defines the stages of the federal financing lifecycle and discusses unique issues relating to TE projects within this lifecycle. The discussion includes some notes on the limitations of FMIS as a data foundation for evaluating the performance of the TE set-aside.

**Authorization of Funding**

A multiyear authorization act of Congress like SAFETEA-LU is the first step in the TE financing lifecycle. This is followed by apportionment, appropriations, programming, obligations, reimbursement, and occasionally rescissions. These stages, and the roles of the federal legislature, federal executive, states, and local governments in the process are illustrated in Figure 2. An authorization act is legislation that establishes or continues federal programs or agencies. These acts establish upper limits on the amount of funding that will be available for each program.

**Figure 3: The Transportation Funding Life-Cycle**

This figure is adapted in part from Figure 3 in Financing Federal-aid Highways, Publication No. FHWA-PL-07-017, March 2007, Office of Legislative and Governmental Affairs, Federal Highway Administration, US Department of Transportation.

**Apportioned Funding**

The authorizing legislation that creates the Federal-aid Highway Program defines formulas by which funds are distributed among the states by the FHWA as prescribed by statutory formula. Transportation Enhancement funds are a minimum 10% set aside from the Surface Transportation Program (STP) funding category, plus 10% of the portion of Equity Bonus Program distributed to the STP. The combined total of all annual apportionments a state has received forms the initial available balance of each state.
**Allocation & Suballocation**

An allocation is the distribution of funding for a program where there is no applicable statutory formula for distribution. Although no formula exists, an allocation may be made based upon need or criteria listed in legislation. For example, the National Scenic Byways Program was allocated $175 million from FY 2005 - FY 2009 to recognize, preserve, and enhance selected roads.

Suballocation refers to the reservation of funds apportioned to a State by formula for use in specific areas within the State. Under MAP-21, Surface Transportation Program and Transportation Alternatives Program (TAP) funds are suballocated based on population after they are apportioned to each state. In the case of TAP, 50% of funding is suballocated to areas based upon the relative share of a states total population while the remaining 50% is available for use in any area of the state. The population based suballocation distributes money based upon the relative share for communities with <5,000, 5,001-200,000, and >200,000 people. For areas with >200,000 people, the Metropolitan Planning Organization is charged with selecting and administering projects through a competitive selection process.

**Appropriations**

Appropriations are an annual act of Congress that set a limit on the obligations a state can make from apportioned funds. Congress annually appropriates money from the Highway Trust Fund to fund the Federal-aid Highway Program and these appropriations set a limit on state obligations in a given fiscal year. Appropriations represent the actual spending power of the program, and this spending authority is distributed by formula to each state to be applied to the available balance. The available balance decreases when states use their appropriated authority to direct funds to specific projects. It also decreases when funding expires, are rescinded by the federal government, or when states transfer funds to other allowable transportation programs. States usually are not authorized to obligate all apportioned funding because appropriations are typically less than the annual apportionment.

**Programming**

Federal law requires that states add highway projects that will receive Federal-aid funding to the Statewide Transportation Improvement Program (STIP). The STIP is a public document that provides transparency in capital expenditures related to transportation on a 4-year planning horizon.

**Surface Transportation Program Set-Aside**

The Transportation Enhancement Program was a mandatory minimum set-aside within the Surface Transportation Program (STP). Since TE funding was a subcomponent of the STP, STP funds could be directed towards projects which were eligible through the TE program. The policies and procedural requirements that apply to the STP also applied to TE.

Beginning with the 2013 fiscal year, STP funds can no longer be directed towards TE projects that are not eligible under TAP. When MAP-21 went into effect in FY 2013, TAP replaced TE as an eligible project category under STP. This means that STP funds can be used for any TAP-eligible project. Despite the reduction in total funding for TAP (combining TE, SRTS, and RTP), STP funds provide flexibility for states to obligate more funding to TAP-eligible projects if desired.

**Obligations**

An obligation is a commitment by the federal government to reimburse states or other eligible entities for the federal share of a project’s eligible costs. Obligation occurs when a formal project
agreement is executed between the federal government (through FHWA division offices) and the state. This agreement indicates that the Federal government recognizes that the project meets federal criteria, and that the state will comply with federal rules and regulations governing project work. Obligated funding is then committed to a particular project. Obligations are typically made when a project or discrete project phase is ready to have consultants or contractors begin billable work. While considerable time and money may already have been expended planning a project, obligation is what marks the beginning of project costs being eligible for federal reimbursement. State DOTs are required to report obligations to FHWA’s financial accounting system known as the Fiscal Management Information System (FMIS).

Reimbursements

The final stage of TE project funding is reimbursement. States are not apportioned cash but rather are notified that a balance of Federal funds is available for them to use. The FHWA reimburses states for projects as they are completed. This process can be long and, when projects are stalled or are not separated into phases, can be delayed while the project is implemented.

Rescissions

Through rescissions, Congress cancels the authority to obligate a certain portion of available funding before it is set to expire. By act of Congress, funds are essentially removed from unobligated balances. While Congress sets a total rescission amount for the Federal-aid Highway Program (FAHP), FHWA calculates the share each state is responsible for based on the original distribution of Federal-aid funding. The states in turn are required to choose which funding will become inaccessible to them, thus reducing the amount of available funding. In the past, states had discretion over how to assign the rescissions among their Federal-aid programs. For the FY 2008 rescission and one rescission in FY 2009, the 2007 Energy Independence and Security Act required that states distribute the rescission proportionately over their Federal-aid programs, within a margin of 10%.

Transfers

The Uniform Transferability Provision (23 U.S.C. 126) limits the amount of funding that can be transferred from TE to other Federal-aid Highway Programs in a given year. States can transfer up to 25% of each year’s apportionment that is above the state’s FY 1997 TE apportionment level. States are also permitted to transfer funds to the Federal Transit Administration (FTA) under the requirements of 49 U.S.C. 53. There is no limit on the amount that can be transferred to FTA; however, TE funding that is transferred to FTA must be used for TE-eligible activities.
An obligation is a formal agreement between the federal government and the state partner that the federal government will reimburse the state up to the maximum federal share of eligible project costs. The agreement indicates that the federal government recognizes that the project meets federal criteria, and that the state will comply with federal rules and regulations governing project work. It represents a high level of commitment on the part of both the state DOT and the FHWA to advance a project.

Obligation Limitation

The Federal-aid Highway Program (FAHP) is a collection of smaller programs (Figure 2, page 5). The apportionment for each subprogram is set by Congress, which creates hypothetical maximum amounts for each program. Congress separately sets an annual ceiling on obligations for FAHP as a whole. Since an obligation is a promise by the federal government to reimburse States when a project is completed, by limiting obligations, Congress can set a ceiling on the amount of assistance that may be promised during a specified period of time. Preventing this promise and subsequent payments from being made allows Congress to control the rate at which these funds may be used. States have tremendous flexibility in determining how to spread this limit among transportation programs. This flexibility allows states latitude in meeting needs that arise on a year-to-year basis. For example, it might be more cost-effective to over-obligate a particular program in a given year in order to finish a complex, large project such as a bridge. To compensate, other programs must be under-obligated.

Accumulation of Unobligated Funding

Over time, obligations can balance out. However, balance is not always reached. Unobligated funding is added to the available balance. Figure 5, page 9, illustrates the accumulation of TE funding and shows how a state could obligate the same amount every year and run up a large available balance.

A simplified example might help to explain how this relates to the obligation rate. Let’s say that in the first year of the TE set-aside, a state had $10 million apportioned to it and obligated $8.5 million. The obligation rate would then be 85% that year. This example also illustrates the fact that the annual obligation limitation distributed by Congress is almost always less than the apportioned funding. In future years, however, the outstanding balance of $1.5 million is not lost. It still sits on the books and is available the next year (this is what gives states flexibility in when to use these funds). If the state once again obligations $8.5 million, the annual obligation rate would remain constant. If this same process continues over the course of 6 years, the state’s cumulative obligation rate would be 85% and leave $9 million on the table. This $9 million conceptually represents another year of TE funding. However, because of the limitation on obligations, this $9 million could only be spent by prioritizing TE over other Federal-aid Highway Programs and directing additional spending authority to TE. If it remains unobligated, the availability of the funds may be retracted by the federal government in the event of a rescission.

Deobligation

Another issue not illustrated in Figure 5, which may contribute to a growing available balance, is deobligation. If for some reason a project advances to the stage where funding is obligated, but the project is later canceled, the funding associated with the project is deobligated and returned to the available balance. If a state “cleans out” old, inactive projects from multiple past fiscal years in one current fiscal year, this can cause a state to have a negative yearly obligation rate.
Other Important Concepts

The Highway Trust Fund

In 1956, funding for the Interstate Highway System was greatly increased with monies from the General Fund of the Treasury. In order to facilitate the financing of the highway system, the Federal-Aid Highway Act of 1956 and the Highway Revenue Act of 1956 established the Highway Trust Fund (HTF). The Highway Revenue Act created new and significantly raised existing highway related taxes while directing them towards the Highway Trust Fund.

The HTF was established as a user fee system. This means that the users of the highway system pay taxes on highway-related goods and this tax revenue goes directly towards the construction and maintenance of the highway system. The HTF collects taxes from the sale of gasoline, diesel, special fuels, tires, trucks and trailers, and heavy use vehicles. Most of these funds are paid by the merchant itself and not the final consumer of the goods. For example, a gasoline company pays the Internal Revenue Service (IRS) 18.4 cents per gallon it sells and this 18.4 cents is reflected in the purchase price of gasoline at a gas station. The total revenue generates from these user fees are deposited in the General Fund and an equivalent amount is transferred to the HTF.

Budget Authority

As was discussed earlier, an authorization act establishes or continues federal programs or agencies and sets upper limits on the amount of funding that will be available for each program. While upper limits are defined through authorization acts, these programs require “budget authority” in order to proceed. The Federal Highway Administration defines budget authority as the empowerment by congress that allows federal agencies to incur obligations that will result in the outlay of funds. More simply it is the approval to distribute, spend, loan, or obligate funds.

There are two types of budget authority:

Appropriated budget authority

Appropriated budget authority requires a two-step process to implement federal programs. The first step is an authorization act which establishes the program and upper limits of funding. The second step is the passage of an appropriations act which grants permission for authorizations to be distributed and used. This grants approval to obligate funds and provides the cash necessary to complete reimbursements. An appropriations act sets the actual amount that can be used for the program.

Contract Authority

Most programs within the Federal-aid Highway program operate with contract authority. Contract authority means that authorized amounts become available for obligation according to the provisions of the authorizations act without further legislative action. This allows obligations to be made in advance of appropriations. With contract authority, funds authorized for a fiscal year are available for distribution via apportionment on the first day of that fiscal year (October 1), eliminating much of the uncertainty of the appropriated budget authority method. Although obligations can be made, actual reimbursements cannot be made until the Department of the Treasury receives appropriated funds from the Highway Trust Fund. So, contract authority provides flexibility in order to obligate funding but still requires an appropriations act to make cash reimbursements.
ACKNOWLEDGEMENTS

This primer was prepared, written, edited, and produced by Kyle Lukacs and reviewed by Tracy Hadden Loh for the National Transportation Alternatives Clearinghouse (NTAC). Many of the definitions and concepts used in this report are taken directly from the Federal Highway Administration’s Financing Federal-Aid Highways (Publication No. FHWA-PL-07-017). This report would not be possible without the efforts of the Office of Legislative and Governmental Affairs to produce this essential publication.

NTAC is funded in equal parts by the Rails-to-Trails Conservancy and the Federal Highway Administration through cooperative agreement DTFH61-08-H-00033, using funds through the Office of Planning, Environment, and Realty’s Surface Transportation Environment and Planning Cooperative Research Program (STEP). NTAC exists to increase knowledge of the Transportation Enhancement and Transportation Alternatives activities. NTAC provides free services to professionals, policymakers, agencies, the media, and the public.

Photo Credits

p.4: (1) Big Dam Bridge, AR; (2) International Walk to School Day, FL - WalkSafe (www.walksafe.us); (3) Gettysburg, PA – Aryeh Alex; (4) James River Backway, ND - Bennett Kubischta (5) Lansing Rain Gardens, MI – Dan Christian; (6) Germania House, MS - NTAC


p.6: (1) M-Path, FL; (2) CATA Bus Rack - State College, PA; (3) Capital Crescent Trail, Bethesda, MD - Barbara Richey; (4) James River Backway, ND - Bennett Kubischta (5) Philadelphia, PA - Society Created to Reduce Urban Blight (SCRUB); (6) Vista House, OR - NTAC

p.7: (7) A Greener Welcome, Indianapolis, IN; (8) Bladensburg Archeological Dig, MD - http://bladenarch.blogspot.com/; (9) Pepperfield Wetland, MD - Parsons Brinckeroff; (10) SR-89 Wildlife Underpass; (RTP) Historic Union Pacific Railtrail – Rails-to-Trails Conservancy; (SRTS) Kirkland, CA
NTAC Resources

National Transportation Alternatives Clearinghouse (NTAC)

The National Transportation Alternatives Clearinghouse (NTAC) is funded in equal parts by Rails-to-Trails Conservancy and the Federal Highway Administration and exists to increase knowledge of the Transportation Enhancements program. NTAC provides free services to professionals, policy makers, agencies, the media, and the public.

Available Resources and Expertise:

- Website with project examples, searchable project database, contact information for TE professionals in each state, and downloadable documents: www.ta-clearinghouse.info/.
- State Transportation Enhancement Program Profiles outlining project nomination, selection, and funding procedures for each state.
- Photo Library providing high resolution images of TE projects from around the nation with background on the specific project and its location.
- Documents (including this report), guidebooks, reports, and manuals related to Transportation Enhancements in PDF and/or print format, all free of charge. Documents include:
  - **Enhancing America's Communities: A Guide to TE**
    This 40-page brochure covers the history of the TE program, how TE funds are distributed, and the project development process. It also provides fifteen case studies of outstanding TE projects across the country.
  - **Communities Benefit! The Economic and Social Benefits of Transportation Enhancements**
    This full-color pamphlet showcases ten outstanding Transportation Enhancement projects from around the country, highlighting economic and social impacts on local communities.
  - **FHWA Guidance on Transportation Enhancements**
    This technical document guides states in the proper implementation of the TE program, and includes information on eligibility, environmental review, real estate acquisition, and more. NTEC staff can also provide answers to specific questions concerning the Guidance. The document includes ten previous FHWA Guidance Memoranda that remain valid as appendices.
  - **Financing Federal-Aid Highways**
    This technical report follows the financial process from inception in an authorization act to payment from the Highway Trust Fund (HTF), and includes discussion of the congressional and Federal agency actions that occur throughout.

All publications are on the NTEC website (www.ta-clearinghouse.info/) or can be obtained by calling 888-388-6832.