

# **Federal-Aid Highway Program**

## **Federal Fiscal Year 2006 Report**



**Arizona Department of Transportation**  
**Financial Management Services**  
Office of Resource Administration

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# FEDERAL-AID HIGHWAY PROGRAM

## Introduction

This document is intended to give an overview of the Federal-aid Program and its impacts on Arizona. There are four major sections in the report: (1) Overview of the Federal-aid Program; (2) Arizona Federal funding highlights for fiscal year 2005-2006; (3) Federal-aid Highway Program Characteristics; and (4) Federal-aid Highway Program Descriptions.

The first section gives a general overview of how the Federal-aid Program is financed, the authorization process and a discussion of the apportionment, allocation and obligation authority processes. The second section deals with Arizona Federal funding highlights for fiscal year 2005-2006. The last two sections are devoted to characteristics of the core programs, including eligibility, limitations, apportionment formulas and descriptions of the funding categories.

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- Federal-aid Highway Program Characteristics Page 12 - 14
- Federal-aid Highway Program Descriptions Page 15 - 19

# THE FEDERAL-AID HIGHWAY PROGRAM

## Program Overview

The Federal-aid Highway Program (FAHP) is financed from the proceeds of motor fuel and other highway related excise taxes deposited in the Federal Highway Trust Fund (HTF). The Federal-aid Highway Program is a Federally assisted, state administered program, which distributes Federal funds to the states for the construction and improvement of urban and rural highway systems. On Federal-aid highway projects, a state (or local entity qualified for certification acceptance through the state) develops the plans, lets the contracts, and supervises the construction. The highways remain under the administrative control of the state or local government responsible for their operation and maintenance.

Using revenues in the Highway Account of the Highway Trust Fund, the Federal Highway Administration (FHWA) reimburses states for expenditures related to approved highway projects. The FHWA distributes these revenues to states based on apportionment and allocation criteria. Authorization is the process by which Congress authorizes the expenditure of Federal revenues on Federal programs. In recent years the authorization has been for a six-year period. The most recent Highway Transportation Act, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), was signed into law by the President on August 10, 2005, and extends the FAHP through September 30, 2009. For each Federal fiscal year, the FHWA apportions the authorized funding among the states according to formulas that are established in authorizing statutes. The distribution of Federal funds that do not have a statutory formula is called an “allocation” rather than an “apportionment”.

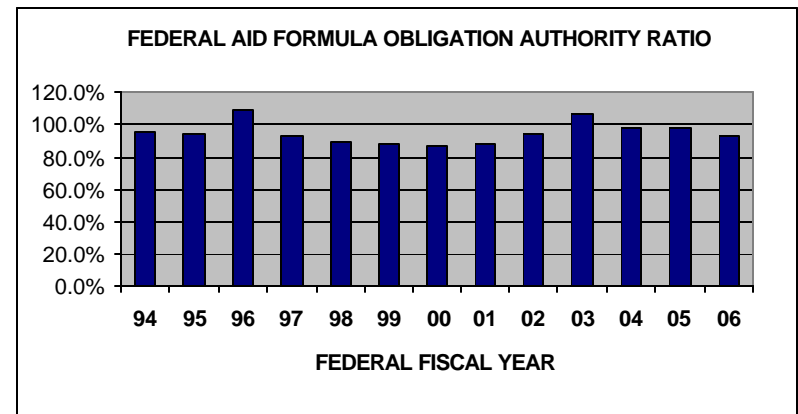
Current law requires that the cash balance of the Highway Account of the HTF, plus projected revenues for the next two years, must be sufficient to repay all unpaid obligations before any additional apportionments of revenues can be made from the HTF. As a result, and unlike most Federal programs, the flow of Federal funding to states for highway projects does not depend on timely appropriation of revenues by Congress as funding is provided through trust-funded contract authority rather than appropriated budget authority.

# THE FEDERAL-AID HIGHWAY PROGRAM

## Distribution of Obligation Authority

The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. The process of determining the annual obligation limitation begins when Congress establishes annual domestic discretionary spending caps - the amount of Federal dollars that can be spent on all domestic, non-entitlement programs in a given year. Once budget caps are determined, Congress distributes spending levels across different program areas, and a targeted level of outlays for highway spending is determined. Congress then establishes the amount of highway funding that can be obligated in the given year. This level often is below the authorized annual level, and serves as a limit on the total obligation in that particular year.

Once Congress establishes an overall obligation limitation, the FHWA distributes Obligation Authority to states proportionately to each state's share of apportioned and allocated revenues. The actual ratio of Obligation Authority to apportionments and allocations may vary from state to state because some Federal-aid programs are exempt from the obligation limitation. A state's Obligation Authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the fiscal year for which it is made available; if not, it will be distributed to other states. The reallocation of Obligation Authority is referred to as the August Redistribution. FY 2006 Obligation Authority ratio was 93.3%.



# THE FEDERAL-AID HIGHWAY PROGRAM

## Federal Apportionments and Allocations

For most Program components, the Authorization Act sets the distribution of spending authority among states. The primary methods used to distribute authorized Federal highway revenues are apportionment and allocation.

(a) APPORTIONMENTS. The contract authority created by authorization acts such as SAFETEA-LU is distributed annually among the states using a process called apportionment of revenues. Apportionments are the maximum amount of contract authority that each state can expend for projects in specific programs. For each fiscal year, the FHWA has responsibility for apportioning authorized funding for the various programs among the states according to formulas established in the authorizing statute. Apportionment factors include: lane miles, vehicle miles traveled, taxes paid into the HTF, diesel fuel usage, etc. Each program has a unique set of factors which determine the apportionments to the states. Annual apportionments are generally made on October 1st, the first day of the Federal fiscal year.

(b) ALLOCATIONS. While most Federal-aid funds are distributed to states through apportionments, some funding categories do not contain legislatively mandated apportionment formulas. Distribution of revenues, where there are not statutory formulas, is based on criteria determined administratively by the Federal Department of Transportation or as provided in a statute.

Apportionment formulas have been designed historically to ensure distribution of Federal revenues among states according to program needs, but are also increasingly intended to provide states a share of total HTF revenue relatively close to their payments into the HTF. ISTEA included provisions designed to help states achieve a closer ratio of revenues from the HTF to payments into the HTF (equity provisions) and to assure that no state would suffer a dramatic decline from one year to the next in its Federal-aid apportionment (the hold harmless rule).

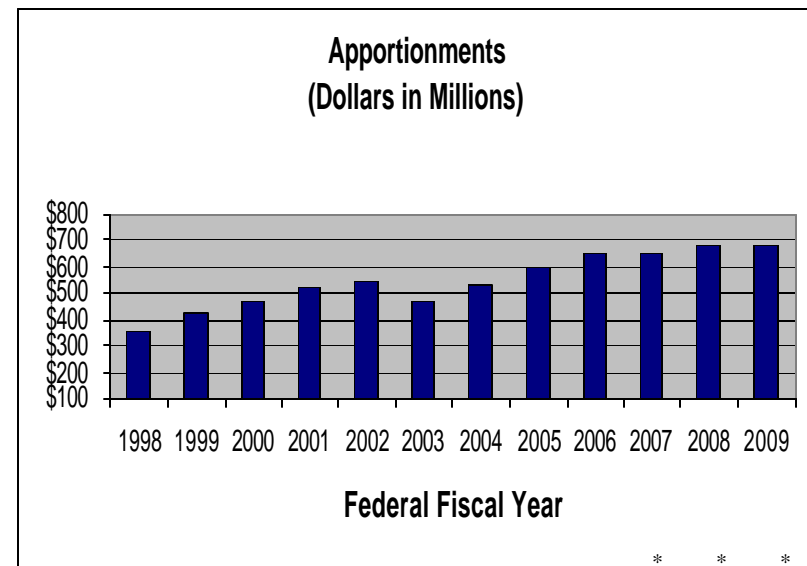
# FEDERAL FUNDING FOR ARIZONA

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was enacted into law on August 10, 2005, providing Federal funding through Fiscal Year 2009. SAFETEA-LU provides Arizona with a record amount of Federal-aid revenue. Arizona received \$647.5 million of Federal-aid apportionments for Federal Fiscal Year 2006. The Department received \$481.3 million of Federal-aid apportionments with another \$166.2 million allocated to local governments.

## Fiscal Year 2005-2006 Highlights

### Apportionments

Total apportionments for Federal fiscal year 2006 totaled \$647.5 million, compared to \$600.2 million in FY 2005.



\* Estimates per FHWA, HPLS -30 dated August 1, 2005

Includes Minimum Guarantee/Equity Bonus and High Priority Projects

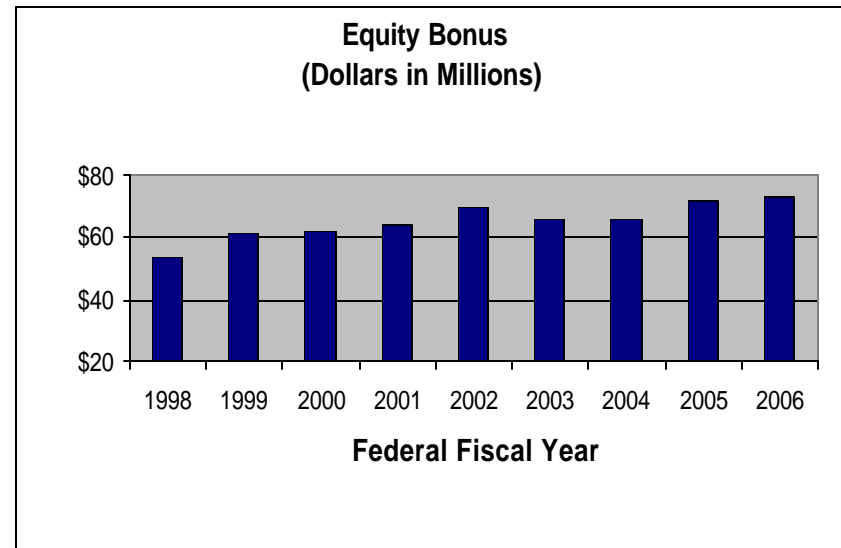
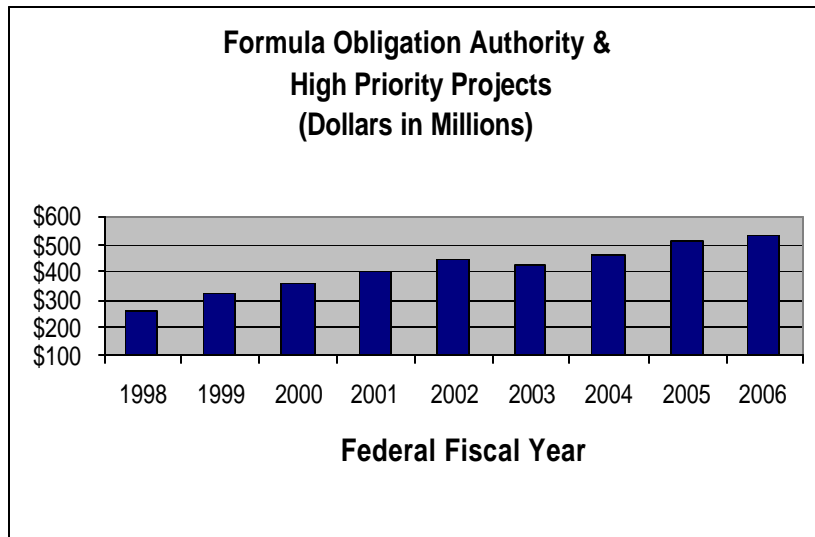
# FEDERAL FUNDING FOR ARIZONA

## Formula Obligation Authority & High Priority Projects

Formula Obligation Authority and High Priority Projects totaled \$528.6\* million in FY 2006. This compares to \$515.5 million in FY 2005.

## Equity Bonus

Equity Bonus Spending Authority totaled \$73.3\* million in FY 2006. This compares to \$71.6 million in FY 2005.



\* \$528.6 million plus \$73.3 million = Total Obligation Authority of \$601.9 million

# FEDERAL FUNDING FOR ARIZONA

## Other Allocations

Other allocations received in FY 2006 totaled \$16.7 million. This compares to \$8.2 million in FY 2005. Arizona received allocations for the Border Safety Inspection Facilities, Local Technical Assistance Program, Minority Business Program, Motor Carrier Safety and other miscellaneous programs.

<b>Other Allocations</b>	
(Dollars in thousands)	
NATIONAL SCENIC BYWAYS PROGRAM	\$476
FMCSA BORDER ENFORCEMENT	3,790
DISADVANTAGED BUSINESS ENTERPRISE	175
LOCAL TECHNICAL ASSISTANCE PROGRAM	170
FMCSA COMMERCIAL DRIVER'S LICENSE	301
PUBLIC LANDS DISCRETIONARY - HOOVER DAM BYPASS	7,000
USE TAX EVASION	259
NEW ENTRANTS SAFETY AUDITS	495
INDIAN RESERVATION ROADS	1,030
TRANSPORTATION RESEARCH - ENVIRONMENT	25
FEDERAL MOTOR CARRIER SAFETY ASISTANCE PROGRAM	2,940
<b>TOTAL FY 2006 ALLOCATIONS</b>	<b>\$16,661</b>

# FEDERAL FUNDING FOR ARIZONA

## Hoover Dam Funding

Arizona was allocated \$7.0 million in Public Lands Highways Discretionary funds for the Hoover Dam project during FY 2006. These funds were allocated directly to the Central Federal Lands Highway Division, which is administering the work on this project.

<b>Hoover Dam Funding (in thousands)</b>	
FY98 HIGH PRIORITY PROJECTS (Sec 1602)	\$4,518
FY99 HIGH PRIORITY PROJECTS (Sec 1602)	6,161
NATIONAL CORRIDOR (Sec 1118)	2,000
FY00 HIGH PRIORITY PROJECTS (Sec 1602)	7,789
PUBLIC LANDS DISCRETIONARY (Sec 1115)	6,000
PUBLIC LANDS DISCRETIONARY (Sec 1115)	4,000
NATIONAL CORRIDOR (Sec 1118)	2,000
MILITARY CONST BILL (PL 106-246)	3,000
FY01 HIGH PRIORITY PROJECTS (Sec 1602)	8,080
HOOVER DAM DEMO (Sec 378)	19,956
FY02 HIGH PRIORITY PROJECTS (Sec 1602)	7,804
PUBLIC LANDS DISCRETIONARY (PL 107-87)	8,000
FY03 HIGH PRIORITY PROJECTS (Sec 1602)	7,755
FY03 PUBLIC LANDS HWY GRANT	5,913
FY03 NEVADA FEDERAL DEMO FUNDS**	4,967
FY04 PUBLIC LANDS DISCRETIONARY	6,412
FY05 PUBLIC LANDS DISCRETIONARY	8,550
FY05 PUBLIC LANDS DISCRETIONARY	257
FY06 PUBLIC LANDS DISC (\$6M-AZ, \$1M-AZ/NV)	7,000
<b>TOTAL HOOVER DAM FUNDING</b>	<b>\$120,162</b>

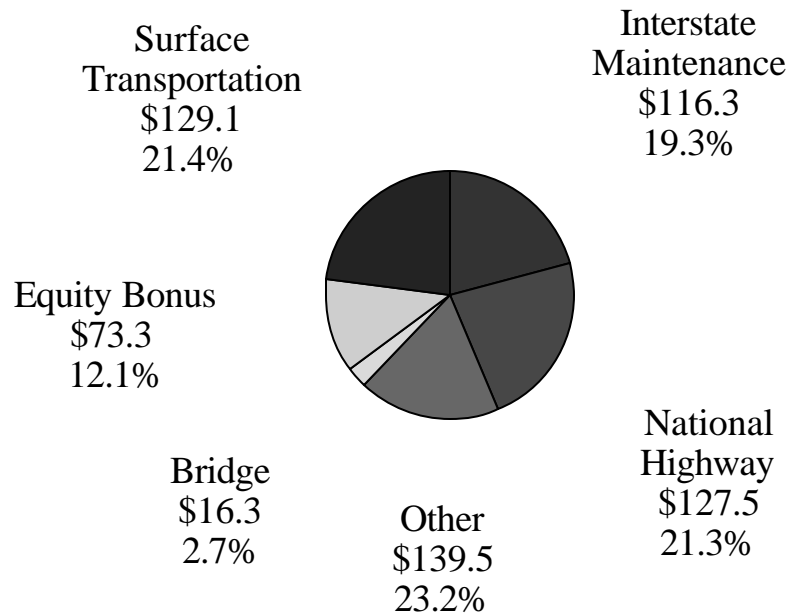
\*Sec 1602 funds are included in Apportionments and are distributed over the 6 years of TEA-21. FY00 & FY01 include Sec 1602 RABA Apportionments received.

\*\*Federal allocation made to the State of Nevada

**ARIZONA  
FEDERAL FUNDING SOURCES  
FY 2006**

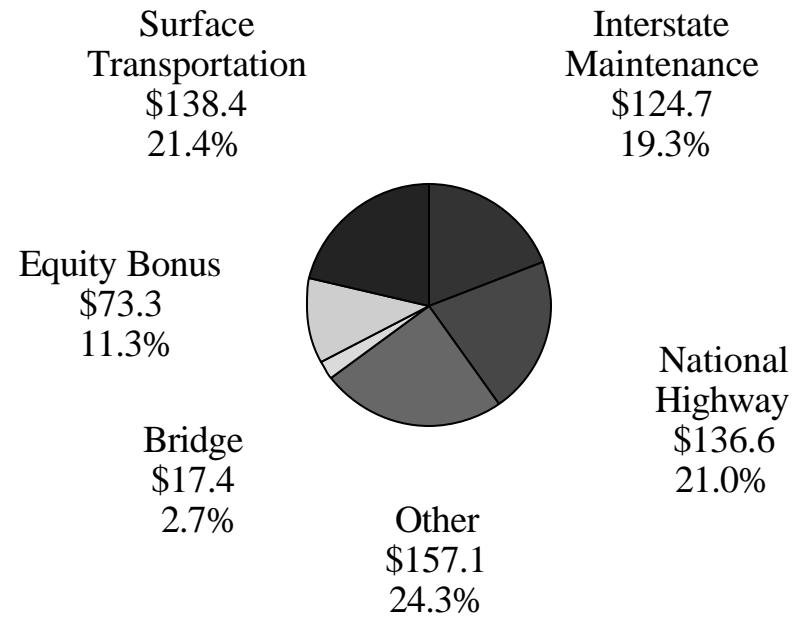
**TOTAL OBLIGATION  
AUTHORITY**

(\$601.9m) (1)



**TOTAL  
APPORTIONMENTS**

(\$647.5m)



(1) Obligation Authority is shown by program category although it is not limited to a specific program.

NOTE: Total Obligation Authority does not include other miscellaneous allocations.

“Other” includes CM, SPR, HSIP, REC TRL, CBI, SRTS, HPP and Redistributed

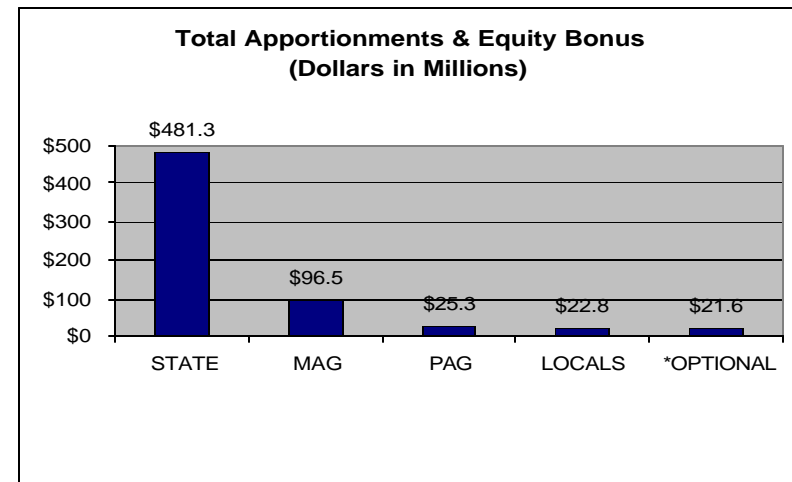
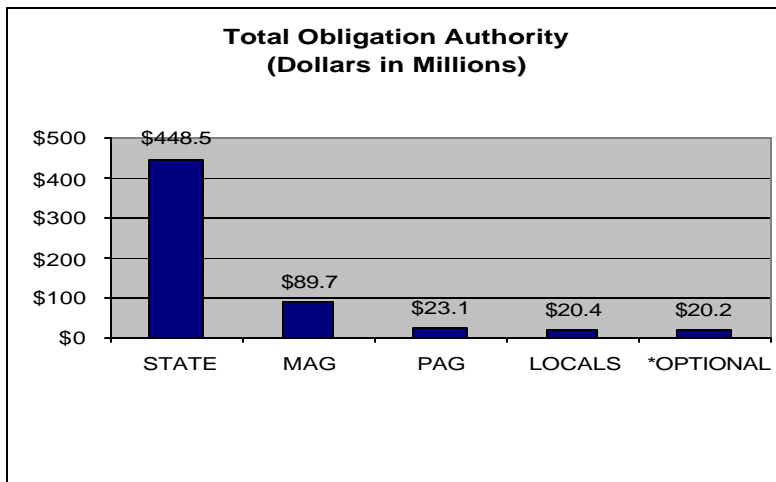
**ARIZONA  
FEDERAL FUNDS DISTRIBUTION  
STATE, MARICOPA, PIMA AND LOCALS  
FY 2006**

**TOTAL OBLIGATION  
AUTHORITY**

(\$601.9m)

**TOTAL  
APPORTIONMENTS**

(\$647.5m)



\* Optional use of Transportation Enhancement, Safety and Bridge funds are available to Metropolitan Planning Organizations (MPOs) and Council of Governments (COGs) on a first come-first served basis

# ARIZONA

## APPORTIONMENTS, OBLIGATION AUTHORITY & REIMBURSEMENTS

**(Includes Minimum Guarantee/Equity Bonus & High Priority Projects)**

FISCAL YEAR	APPORTIONMENTS END FY 09/30	OBLIGATION AUTHORITY END FY 09/30 (1)	TOTAL O.A. %	REIMBURSEMENTS	ADDITIONAL OBLIGATION AUTHORITY	BALANCE OF APPORTIONMENTS
1992-93	252,834,626	221,392,942	87.56%	179,740,061	6,573,820	
1993-94	250,989,265	240,788,537	95.94%	245,913,123	8,324,000	
1994-95	265,186,888	252,757,024	95.31%	213,379,038	6,121,044	
1995-96	219,882,709	235,657,919	107.17%	232,645,266	5,737,471	
1996-97	300,114,264	282,854,998	94.25%	294,640,603	19,489,270	
1997-98	352,565,695	318,639,756	90.38%	259,394,779	4,727,085	
1998-99	433,407,164	384,609,615	88.74%	432,737,810	2,389,596	
1999-00	475,048,758	418,113,461	88.01%	412,173,350	4,915,687	
2000-01	521,578,989	466,560,234	89.45%	459,056,486	4,979,716	
2001-02	546,097,028	514,412,037	94.20%	459,409,075	9,046,298	
2002-03	468,201,715	494,189,012	105.55%	460,654,075	7,108,189	
2003-04	535,913,033	524,702,519	97.91%	416,954,003	18,347,757	
2004-05	600,156,301	587,105,795	97.83%	472,988,762	19,262,961	
2005-06	647,507,598	601,928,889	93.30%	408,438,371	36,774,722	\$637,588,083

NOTE: DOES NOT INCLUDE OTHER ALLOCATIONS

(1) OBLIGATION AUTHORITY DATA INCLUDES ADDITIONAL OBLIGATION

AUTHORITY RECEIVED THROUGH RE-DISTRIBUTION AFTER AUGUST 1ST.

# FEDERAL-AID HIGHWAY PROGRAM CHARACTERISTICS

Fund	Weight	Apportionment Formulas	Period Available	Federal Share %
Interstate Maintenance	33.33%	Based on lane miles on Interstate System routes open to traffic	FY + 3 Years	94.34
	33.33%	Based on total vehicle miles traveled on Interstate System routes open to traffic		
	33.33%	Based on State's annual contributions to the Highway Account of the Highway Trust Fund attributable to commercial vehicles		
National Highway System	25%	Based on total lane miles of principal arterials	FY + 3 Years	94.30
	35%	Based on total vehicle miles of travel on principal arterials		
	30%	Based on diesel fuel used on all highways		
	10%	Based on total lane miles of principal arterials per capita		

# FEDERAL-AID HIGHWAY PROGRAM CHARACTERISTICS

Fund	Weight	Apportionment Formulas	Period Available	Federal Share %	Transferability
Surface Transportation Program	25%	Based on total lane miles of Federal-aid highways	FY + 3 Years	94.30	No transfer provision
	40%	Based on vehicle miles traveled on lanes on Federal-aid highways			
	35%	Based on estimated tax payments attributable to highway users in the States into the Highway Account of the Highway Trust Fund			
STP sub allocations		<p>Retains 10% set aside for Safety construction (2005) - eliminated 2006 funded through new Highway Safety Improvement Program</p> <p>Retains 10% set aside for Transportation enhancements(2005) - 2006 greater of 10% or amount of 2005 setaside</p> <p>Retains set aside for urbanized areas with populations over 200,000</p>			

# FEDERAL-AID HIGHWAY PROGRAM CHARACTERISTICS

Fund	Weight	Apportionment Formulas	Period Available	Federal Share %
Bridge Program	1	Formula based on each State's relative share of the total cost to repair or replace deficient highway bridges	FY + 3 Years	94.30
Congestion Mitigation & Air Quality Program	1	Formula based on population and severity of pollution in ozone and carbon monoxide areas	FY + 3 Years	94.30
Metropolitan Planning	1	Based on the population in urbanized areas or portion of urbanized areas in the State compared to all States	FY + 3 Years	94.30
Planning & Research	1	2 % of IM, NHS, STP, CMAQ, Bridge and the new Highway Safety Improvement Program (HSIP)	FY + 3 Years	80.00
Equity Bonus	1	Ensures that each state receives a minimum rate of return on contributions to the Highway Account of the Highway Trust Fund	FY + 3 Years	Program applicable
Safe Routes to School	1	Apportioned to States based on their shares of total enrollment in primary and middle schools, but no State will receive less than \$1m	Available until expended	100.00
Coordinated Border Infrastructure Program	20.00%	Based on number of incoming commercial trucks	Available until expended	100.00
	30.00%	Number of incoming personal motor vehicles and buses		
	25.00%	Based on weight of incoming cargo by commercial trucks		
	25.00%	Based on number of land border ports of entry		

# FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

<u>PROGRAM DESCRIPTION</u>	<u>FY06 ARIZONA OBLIGATION AUTHORITY</u>	<u>FY06 NATIONAL APPORTIONMENTS</u>
<p><b>NATIONAL HIGHWAY SYSTEM</b> - The National Highway System includes 161,795 miles of rural and urban roads serving major population centers, international border crossings, intermodal centers, intermodal transportation facilities and major travel destinations. Arizona’s portion of the NHS includes 2,734 miles, which is made up of the Interstate System and other high traffic volume highways in the state. Funds can be used for construction, reconstruction, resurfacing, restoration and rehabilitation, and safety improvements.</p>	\$127.4	\$5,661.8 **
<p><b>INTERSTATE MAINTENANCE</b> - The Interstate Maintenance Program provides funding for resurfacing, restoring, rehabilitating and reconstructing routes on the Interstate System. The Interstate System is also part of the National Highway System.</p>	\$116.3	\$4,635.3 **
<p><b>SURFACE TRANSPORTATION PROGRAM</b> - The STP Program provides flexible funding that may be used by states and local governments on any Federal-aid highway, including NHS, bridge projects on any public road, transit capital projects and intracity and intercity bus terminals and facilities. A portion of funds reserved for rural areas may be spent on rural minor collectors.</p>	\$114.1	\$5,159.5 **
<p><b>HIGHWAY SAFETY IMPROVEMENT PROGRAM</b> - SAFETEA-LU New core program for safety (hazard elimination and railroad crossing improvements). In prior years was STP 10% safety setaside.</p>	\$27.6	\$1,223.4 **

# FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

<u>PROGRAM DESCRIPTION</u>	<b>FY06 ARIZONA OBLIGATION AUTHORITY</b>	<b>FY06 NATIONAL APPORTIONMENTS</b>
<p><b>STP SET-ASIDE FOR TRANSPORTATION ENHANCEMENTS</b> - Once the STP funds are allocated to the states, 10% of the amount is set-aside for transportation enhancement projects. Transportation enhancements are transportation related activities that are designed to strengthen the cultural, aesthetic and environmental aspects of the Nation's intermodal transportation system. The Transportation Enhancements Program provides for the implementation of a variety of non traditional projects, with examples ranging from the restoration of historic transportation facilities, bike and pedestrian facilities, to landscaping and scenic beautification, to the mitigation of water pollution from highway runoff.</p>	\$15.1	\$804.3 **
<p><b>EQUITY BONUS</b> - Ensures that each state receives a minimum rate of return on contributions to the Highway Account of the Highway Trust Fund. This program replaces TEA-21's Minimum Guarantee program.</p>	\$73.2	\$7,116.0 **
<p><b>CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM</b> - The Congestion Mitigation and Air Quality Improvement Program funds projects and programs in air quality nonattainment and maintenance areas for ozone, carbon monoxide and small particulate matter which reduce transportation related emissions.</p>	\$38.7	\$1,616.7 **

# FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

<u>PROGRAM DESCRIPTION</u>	<u>FY06 ARIZONA OBLIGATION AUTHORITY</u>	<u>FY06 NATIONAL APPORTIONMENTS</u>
<b>HIGH PRIORITY PROJECTS</b> – Provides designated funding for specific projects (commonly referred to as demonstration projects) identified by Congress. Includes FY 05 funds received in FY 06.	\$41.0	\$5,748.4
<b>HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION PROGRAM -</b> The Highway Bridge Replacement and Rehabilitation Program provides funds to assist the states in projects to replace or rehabilitate deficient highway bridges and to seismic retrofit bridges located on any public road.	\$16.3	\$3,960.3 **
<b>SAFE ROUTES TO SCHOOL</b> – Provides funding to enable and encourage children to walk and bicycle to school; to make walking and bicycling to school safe and more appealing. To facilitate planning, improve safety.	\$1.5	\$96.0
<b>INDIAN RESERVATIONS</b> - Provides funding for Navajo Reservation for County maintained roads on reservation.	\$1.0	\$1.8
<b>RECREATIONAL TRAILS PROGRAM</b> - The Recreational Trails Program provides funds to develop and maintain recreational trails for motorized and nonmotorized recreational trail users.	\$1.3	\$68.4

# FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

<u>PROGRAM DESCRIPTION</u>	<u>FY06 ARIZONA OBLIGATION AUTHORITY</u>	<u>FY06 NATIONAL APPORTIONMENTS</u>
<p><b>COORDINATED BORDOR INFRASTRUCTURE PROGRAM</b> – Provides funding to improve the safe movement of motor vehicles at or across the land border between the U.S. and Canada and the land bordor between the U.S. and Mexico.</p>	\$6.5	\$143.5
<p><b>STATE PLANNING AND RESEARCH PROGRAM</b> - Planning of future highway programs and local public transportation systems. Research, development and technology transfer activities necessary in connection with the planning, design, construction and maintenance of highway, public transportation and intermodal transportation systems. These funds are a 2 percent set-aside from certain Federal-aid funds apportioned to a state.</p>	\$10.6	N/A
<p><b>METROPOLITAN PLANNING FUNDS</b> - Metropolitan Planning funds are available for Metropolitan Planning Organizations (MPOs) to carry out the metropolitan transportation planning process required by Title 23, United States Code, including development of metropolitan area transportation plans and transportation improvement programs.</p>	\$5.2	\$286.8
<p><b>*MOTOR CARRIER SAFETY ASSISTANCE PROGRAM</b> - The objective of the MCS Assistance Program is to reduce the number and severity of accidents and hazardous material incidents involving commercial motor vehicle through state implementation of a balanced program of enforcement, education and crash data analysis. A portion of the annual authorization is earmarked for grants. The remaining funds are allocated by formula to the states.</p>	\$7.0	N/A

# FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

<u>PROGRAM DESCRIPTION</u>	<u>FY06 ARIZONA OBLIGATION AUTHORITY</u>	<u>FY06 NATIONAL APPORTIONMENTS</u>
<p><b>SECTION 112</b> – PL 109-115 – Special allocations treated as demo or high priority funds. Available until expended with Federal share of 100%.</p>	\$6.9	\$594.0
<p><b>*LOCAL TECHNICAL ASSISTANCE PROGRAM</b> - The purpose of this program is to provide training and technical assistance to rural, small urban and tribal governments on roads, bridges and public transportation.</p>	\$0.2	N/A
<p><b>*MISCELLANEOUS ALLOCATIONS</b> – National Scenic Byways Program \$476k, New Entrants Safety Audits \$495k, Disadvantaged Business Enterprise \$175k, Hwy Use Tax Evasion Project \$260k, Public Lands Highways Hoover Dam Bypass \$7M, Transportation Research-Environment \$25k</p>	\$8.5	N/A
<p>*Formula allocations</p>		
<p>** A portion of Equity Bonus funds get distributed to the IM, NHS, Bridge, STP and CMAQ programs. Distribution amounts not available at the time this report was published</p>		