



Transportation Enhancements

Summary of Nationwide
Spending as of FY 2002

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Prepared by the
National Transportation
Enhancements Clearinghouse

Acknowledgments

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Transportation Enhancements: Summary of Nationwide Spending as of FY 2002 is a report prepared annually by the National Transportation Enhancements Clearinghouse (NTEC). This report provides an overview of how States have spent Transportation Enhancements (TE) funds from fiscal year (FY) 1992 through the end of FY 2002. NTEC uses benchmark spending figures to assess the status of these funds: apportioned, programmed, obligated, reimbursed, and transferred on a national as well as State-by-State basis. The report also addresses the distribution of these funds across the twelve eligible TE activities. This report allows NTEC to provide interested readers with an assessment of how successfully TE activities are being funded and, ultimately, implemented for the benefit of local communities.

The Status of Spending Benchmarks

There are five distinct phases, or benchmarks, of spending that NTEC uses to evaluate how States use TE funds: *Apportionments* (10 percent set aside of Surface Transportation Program (STP) funds plus 10 percent of the portion of Minimum Guarantee funds and Revenue Aligned Budget Authority (RABA) that are distributed to the STP, less amounts transferred), *Programming* (amount for selected projects), *Obligations* (amount authorized to spend), *Reimbursements* (amount paid to sponsor for completed work), and *Transfers* (from TE to other Federal-aid highway programs). **Table 1** on page 4 illustrates the status of these benchmarks at the national level. Using data obtained from the Federal Highway Administration (FHWA) Fiscal Management Information System (FMIS), NTEC reports that \$5.97 billion has been made available to the States for use on TE activities since 1992. Of that money, State Departments of Transportation (DOTs) have programmed at least 94.2 percent of available funds through FY 2002, according to NTEC's project database that was updated most recently in the spring of 2003. FMIS also reports that State DOTs have collectively and cumulatively obligated 72.2 percent of available funds, which is an increase over the 69.8 percent obligation rate reported at the end of FY 2001. Reimbursements were at 50.6 percent, up 2.4 percentage points from FY 2001, according to FMIS. Transfers allowed under TEA-21 to other Federal-aid highway programs increased during FY 2002 with 10 States transferring \$16.2 million.

The continued increase in obligations during FY 2002 could be an indication that the obligation rate will continue to improve through the end of TEA-21 (September 30, 2003). During FY 2002, the States obligated \$647.6 million dollars, the largest amount ever obligated in a single fiscal year. If the States continue to obligate at this rate, trends suggest that by the end of TEA-21, the States will have obligated nearly 75 percent of the estimated \$6.5 billion in available TE funds.

Nationwide TE spending has shown a gradual increase over the past several years. Obligation and reimbursement rates are noteworthy because they are indicative of the relative progress with which projects move from selection to implementation and whether there is a lag between project selection and implementation. NTEC's research finds that there are various reasons for project delays, but none are singularly responsible for slow project delivery. The range of obligation rates reflects the difference in approaches, priorities, problems, policies, and solutions of States and sponsors to implement the program.

Table 1: Transportation Enhancements Financial Summary		
Cumulative Apportionments, Programming, Obligations, Reimbursements and Transfers (Current through FY 2002)		Amount % of Available
Apportioned in ISTEA and TEA-21: <i>Source: FHWA. This figure does not consider Congressionally-imposed obligation limitations.</i>	\$5.97 Billion	100%
Programmed in ISTEA and TEA-21: <i>Source: 16,699 projects dated 1992-2002 in NTEC's TE project database.</i>	\$5.62 Billion	94.2%
Obligated in ISTEA and TEA-21: <i>Source: FHWA.</i>	\$4.31 Billion	72.2%
Reimbursed in ISTEA and TEA-21: <i>Source: FHWA.</i>	\$3.01 Billion	50.6%
Transferred from TE to other Federal-aid Highway funds: <i>Source: FHWA.</i>	\$31.7 Million	0.53%

Distribution of Funds Across the TE Activities

The project data in NTEC's database yields information about how TE funds have been programmed across the 12 eligible activities. The data indicates that while the new or modified TEA-21 TE activities continue to be programmed and funded, the distribution of funds across the 12 activities has changed only slightly. Bicycle and pedestrian facilities, combined with rail-trails, comprise 54 percent of the Federal programmed TE funds between FY 1992 and FY 2002. Historic preservation and preservation of historic transportation facilities received 17 percent of TE funds, a slight decrease from FY 2001. Landscaping and scenic beautification also received 17 percent of TE funds, a slight increase. Together, these five categories account for 88 percent of programmed TE funds.

Conclusion

The high demand for TE funds and the number of projects that have already been selected testify to the popularity of TE activities. According to NTEC's project database, 16,699 projects were programmed between 1992 and 2002. As NTEC's project data shows, many different types of projects are being funded across the 12 eligible activities. Yet, the lower obligation and reimbursement rates, relative to other Federal-aid highway programs, indicate that State DOTs, FHWA divisions, and project sponsors face obstacles to actually implementing TE projects. Some States have made great strides in increasing their obligations. State-specific hurdles, whether they be political support or sponsor preparedness, should be indentified and remedied to more efficiently deliver TE projects to communities.

The National Transportation Enhancements Clearinghouse (NTEC) presents this report for use by all interested in Transportation Enhancements (TE) and the status of this funding source both at the State and national levels.

The report is structured in three sections. The **Background** section details TE activities and the history of this Federal-aid highway program, including the initial legislation that authorized TE, the Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991, and the current legislation governing the implementation of TE activities, the Transportation Equity Act for the 21st Century (TEA-21) of 1998. The **Data** section summarizes the data, cites the sources for the data used in the report, the methodology of data collection, and any State-specific data issues. The **Major Findings** section presents an analysis of TE activities at the end of fiscal year (FY) 2002 based on the traditional benchmarks of State spending. Also covered are trends within the TE activities themselves, such as distribution of funds across the 12 eligible activities.

While this report provides one perspective on the status of TE, readers with questions about their State's administration of TE should contact their State Departments of Transportation (DOTs) directly. Contact information for State DOT TE managers is included in Appendix B, as well as on the NTEC Web site at www.enhancements.org.

Common abbreviations used in this report:

TE: Transportation Enhancements

FHWA: Federal Highway Administration

NTEC: National Transportation Enhancements Clearinghouse

DOT: Department of Transportation

FMIS: Fiscal Management Information System

ISTEA: Intermodal Surface Transportation Efficiency Act of 1991

TEA-21: Transportation Equity Act for the 21st Century of 1998

STP: Surface Transportation Program

FY: Fiscal Year

RABA: Revenue Aligned Budget Authority

Background: A History of Transportation Enhancements

The Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991 was the authorizing legislation that established a dedicated funding stream for a set of 10 newly defined TE activities under the Federal-aid Highway Program. Ten percent of the Surface Transportation Program (STP) funds, plus 10 percent of the portion of Minimum Guarantee funds and Revenue Aligned Budget Authority (RABA) that are distributed to the STP, were set aside for these activities, including development of bicycle and pedestrian facilities, scenic beautification, historic preservation, and mitigation of highway runoff.

The dedication of a portion of Federal-aid highway funds specifically for TE demonstrated a significant shift in national transportation policy. Prior to ISTEA, only a few of these activities had been eligible for Federal-aid funding, and they were often not included in the normal routine of planning and building highways. Under ISTEA, Congress ensured that funding would be available for the bicycle and pedestrian modes of transportation and for the preservation and enhancement of many of the nation's scenic, historic, and environmental resources that exist in a transportation context.

In 1998, the Federal-aid highway programs were reauthorized through the Transportation Equity Act for the 21st Century (TEA-21). The 10 percent set-aside for TE was continued, and funding levels were increased by 40 percent. Two TE activities were broadened and two new TE activities were added to the list of eligible activities.

Transportation Enhancement Activities

As a result of ISTEA and TEA-21, today there are 12 TE activities eligible for Federal-aid funding through the States' set-aside. They are as follows.

1. Provision of pedestrian and bicycle facilities
2. Provision of safety and education activities for pedestrians and bicyclists
3. Acquisition of scenic easements and scenic or historic sites
4. Scenic or historic highway programs (including provision of tourist and welcome centers)
5. Landscaping and scenic beautification
6. Historic preservation
7. Rehabilitation and operation of historic transportation buildings, structures, or facilities
8. Preservation of abandoned railway corridors and conversion to rail-trails
9. Control and removal of outdoor advertising
10. Archaeological planning and research
11. Environmental mitigation of highway runoff and provision of wildlife connectivity
12. Establishment of transportation museums

Transportation Enhancements Projects

The majority of projects that use TE funds are small-scale projects with an average Federal share of \$335,000. They are initiated at the local level by city or county governments or community-based organizations, referred to as sponsors. Projects funded with TE dollars can also be initiated by State DOTs, other State agencies, Federally-recognized tribal governments, or Federal agencies. NTEC has featured many examples of successful TE projects in a number of publications, as well as in a searchable project library, available online at www.enhancements.org.

Administration of Transportation Enhancements Funds and Projects

Like other components of the Federal-aid Highway Program, TE activities are Federally funded and State administered. The Federal Highway Administration (FHWA) division offices located in each State, Puerto Rico, and Washington, D.C. provide guidance, stewardship, and oversight for the use of TE funds.

Transportation Enhancement activities are funded through a minimum 10 percent set aside of each State's (and D.C.'s) annual STP funds (plus the Minimum Guarantee and RABA amounts distributed to the STP). Puerto Rico, under TEA-21, no longer receives STP funds for TE activities. TE funds are administered by State DOTs. The FHWA division offices in each State are primarily responsible for determining project eligibility according to guidance developed by FHWA Headquarters, Office of Natural and Human Environment. For a project to be eligible, Federal law states that it must be included on the list of 12 eligible activities and it must relate to surface transportation. States may have additional eligibility requirements.

Federal transportation law provides flexibility to States with regard to managing and administering TE funds. State DOTs use a wide range of approaches to soliciting and selecting TE projects, involving local sponsors, administering the various Federal options for financing of matching funds, and 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. For more information about a particular State's TE Program, contact the State DOT TE Program manager. Contact information is available in Appendix B; current lists are also available on the NTEC Web site.

The National Transportation Enhancements Clearinghouse

The National Transportation Enhancements Clearinghouse serves as an information resource for anyone interested in TE. NTEC is operated by Rails-to-Trails Conservancy, a national nonprofit organization, in partnership with the FHWA. In addition to technical assistance and referrals, NTEC also has many useful publications available free of charge. These publications provide examples of successful TE projects as well as information on applying for and implementing TE projects. All publications are on the NTEC Web site (www.enhancements.org) or can be obtained by calling 888-388-6832 or emailing ntec@transact.org.

The Data

The information in this report is based on data collected and maintained by the National Transportation Enhancements Clearinghouse. The TE database was developed by Rails-to-Trails Conservancy in 1993, and has been managed and updated by NTEC since 1998 as part of its partnership with the FHWA.

New TE spending data is gathered and compiled annually by NTEC staff. The new data in this report was gathered and compiled between May 2002 and April 2003. State DOTs provided NTEC with programming (selected project) data, including project name, TE activity type, location, and funding levels. It should be noted that some States do not report all of the projects which they have programmed (some do not have the data and others do not provide the data to NTEC). TE funds apportionment, obligations, and reimbursement data are obtained from the FHWA Fiscal Management Information System (FMIS). FMIS provides NTEC with the cumulative and fiscal year activity for every State for funds available, obligated, and reimbursed. Every State is required to report its obligations and reimbursements through the FMIS system.

NTEC relies on the participation and cooperation of State DOT staff to provide project programming data. States are not required to provide NTEC with this information, but over the years, all States have cooperated with NTEC's request for information to varying degrees. Since NTEC's database of projects is the only existing central resource for information on TE projects nationwide, the participation of each State DOT is crucial for the accuracy and completeness of NTEC's information. During the most recent data collection, 42 States and the D.C. provided NTEC with programming information. This is a very high participation level, and NTEC hopes that it will continue to be as high or higher every year.

State Participation During FY 2002

A breakdown of State participation during the FY 2002 data collection follows.

- Submitted a complete update (reviewed/revised older project data and submitted new project data): Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Montana, Nebraska, Nevada, New Jersey, New Mexico, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, and Wisconsin.
- Submitted a partial update (new project data only): Alabama, Alaska, Mississippi, Missouri, New York, North Dakota, Oklahoma, Rhode Island, and Wyoming.
- Reported no new data to submit: Delaware, Hawaii, New Hampshire, Washington (and Puerto Rico).
- Not able to compile and submit new data: Indiana, Minnesota, North Carolina, and Vermont.

A Profile of the Transportation Enhancements Database

The national database of programmed TE projects now contains 16,699 projects selected from FY 1992 to FY 2002. NTEC's database also contains 1,221 programmed projects for *future* fiscal years, FY 2003 to FY 2006. Altogether, the database contains 17,920 programmed TE projects. For the purposes of this report, NTEC's programming numbers and analysis is based only on the projects selected for funding through FY 2002 unless otherwise noted. The data that NTEC collects for each project in the database includes: State, project name, TE activity, TE activity subtype, year programmed, ID number, city and county location, primary use of funds, and the Federal, local, and total funding amounts. NTEC also requests and collects additional information, if available, such as project description, sponsor information, Congressional district, DOT district, and implementation status. This database can be viewed on the NTEC Web site at www.enhancements.org.

In addition to the project database, NTEC maintains a State program policy and procedures database that is updated periodically as changes occur. This information is used to create State program profiles on the NTEC Web site (www.enhancements.org). The profiles contain State TE manager contact information, a description of project selection processes and authorities, advisory committee powers and characteristics, and sponsor match and other financial policies.

All the information NTEC gathers, from procedural to programming, obligations to reimbursements, is necessary for producing an analysis of the status of nationwide spending of TE funds. NTEC sincerely appreciates the work done by State DOT staff to provide NTEC with new and updated data. They help make the NTEC database a more accurate and useful tool for information about TE projects individually, and the program as a whole.

Several States, including Wisconsin, Massachusetts, and Alaska, have funded numerous TE-eligible projects using funding sources other than the TE set aside. While the benefits of these projects on communities is recognized, NTEC does not include these projects in the TE project database or the data figures in this report because this report is intended to provide a perspective on the status of the TE funds.

Major Findings

The National Transportation Enhancements Clearinghouse's database of TE projects and spending provides a status update of TE as of September 30, 2002, and is used to identify trends over the lifetime of TE. This section covers three areas of interest and importance to TE. The first part addresses cumulative monetary levels among the stages of funding. The second part discusses nationwide trends across and within the twelve TE activities, and the third part provides project award and match rate trends. This **Major Findings** section also provides an analysis of future fiscal year programming and a discussion of State obligation policies.

TRANSPORTATION ENHANCEMENTS SPENDING BENCHMARKS

Apportionments

Transportation Enhancement funds are made available to the State DOTs through a minimum 10 percent set aside of each State's STP funds, plus 10 percent of the portion of Minimum Guarantee funds and RABA that are distributed to the STP. **Table 2** shows that from FY 1992 through FY 2002, the cumulative amount made available to all States was \$5.97 billion. The amount available was obtained from FMIS and is equivalent to the amount apportioned less the amount transferred from TE to other allowable Federal-aid highway programs. In FY 2002 roughly \$750 million was apportioned to the states for TE. States are typically not authorized to obligate all apportioned funds due to annual Congressionally-mandated limitations on obligations, also known as obligation authority. For a more thorough explanation, the FHWA publication, "Financing Federal-Aid Highways," is available on the NTEC Web site.

Programming

NTEC's database now covers 10 fiscal years of TE programming and contains 16,699 projects for the years 1992 through 2002. **Table 2** indicates that the cumulative level of programming for these years is \$5.62 billion, which is 94.2 percent of all available funds. Since there are four States for which NTEC does not have current programming numbers, the actual programming level is most likely higher than the documented \$5.62 billion in the NTEC database. Overall, it appears that programming is continuing to occur on a regular basis and at a high rate.

NTEC's data also shows that 23 States have selected projects for future fiscal years. The database now has 1,221 future-programmed projects worth \$446 million in Federal TE funds. The future programming data supports the findings that more projects request funding than can be accommodated each year.

There are some important issues to note regarding programming data. While NTEC makes every effort possible to accurately reflect State project selection, it is likely that errors occur when States do not uniformly respond to or review NTEC's project data. For example, for 14 States, NTEC's programming figures are lower than actual obligations. The reasons for this could include:

- NTEC's older project data was not reviewed nor updated completely by the State;
- The project data provided to NTEC did not include all selected projects;

Table 2: State TE Program Benchmarks for FY 1992 through FY 2002

State	APPORTIONED	PROGRAMMED		OBLIGATED			REIMBURSED		
	FY92-02	FY92-02	Rate	FY92-02	Rate	Rank	FY92-02	Rate	Rank
Alabama	\$121,187,230	\$108,962,457	89.9%	\$90,751,584	74.89%	28	\$61,315,809	50.60%	30
Alaska	\$102,360,438	\$73,319,807	71.6%	\$100,914,844	98.59%	3	\$88,603,066	86.56%	3
Arizona	\$99,647,910	\$108,111,629	108.5%	\$55,880,710	56.08%	46	\$42,747,234	42.90%	42
Arkansas	\$79,892,490	\$83,413,930	104.4%	\$64,281,778	80.46%	21	\$47,484,855	59.44%	17
California	\$512,191,156	\$701,203,000	136.9%	\$394,351,577	76.99%	23	\$229,479,334	44.80%	39
Colorado	\$84,373,950	\$62,914,088	74.6%	\$62,489,489	74.06%	29	\$51,098,917	60.56%	15
Connecticut	\$98,229,482	\$96,884,217	98.6%	\$82,485,366	83.97%	12	\$67,653,790	68.87%	8
Delaware	\$32,760,317	\$27,296,607	83.3%	\$25,126,075	76.70%	24	\$20,347,273	62.11%	13
Dist. of Columbia	\$26,517,453	\$23,492,888	88.6%	\$23,289,361	87.83%	7	\$16,082,038	60.65%	14
Florida	\$306,758,892	\$263,871,360	86.0%	\$267,716,690	87.27%	8	\$216,856,024	70.69%	6
Georgia	\$211,237,602	\$220,441,436	104.4%	\$159,323,192	75.42%	27	\$100,698,634	47.67%	34
Hawaii	\$54,858,024	\$35,186,841	64.1%	\$37,696,220	68.72%	34	\$29,660,881	54.07%	23
Idaho	\$48,992,693	\$28,800,431	58.8%	\$31,112,029	63.50%	44	\$21,001,086	42.87%	43
Illinois	\$234,970,210	\$254,367,383	108.3%	\$152,644,674	64.96%	40	\$130,265,538	55.44%	21
Indiana	\$155,927,863	\$132,907,158	85.2%	\$118,381,572	75.92%	26	\$94,373,245	60.52%	16
Iowa	\$82,852,431	\$79,074,569	95.4%	\$54,084,041	65.28%	38	\$39,167,389	47.27%	35
Kansas	\$78,771,750	\$55,943,478	71.0%	\$73,392,215	93.17%	5	\$49,669,761	63.06%	12
Kentucky	\$102,653,247	\$92,423,632	90.0%	\$86,657,057	84.42%	11	\$51,610,128	50.28%	31
Louisiana	\$88,971,147	\$82,830,289	93.1%	\$42,102,691	47.32%	50	\$27,199,515	30.57%	51
Maine	\$34,360,835	\$28,905,123	84.1%	\$23,035,634	67.04%	36	\$16,160,227	47.03%	36
Maryland	\$89,557,318	\$101,696,057	113.6%	\$73,525,999	82.10%	15	\$45,445,688	50.74%	29
Massachusetts	\$109,101,544	\$61,294,084	56.2%	\$39,738,964	36.42%	52	\$21,420,096	19.63%	52
Michigan	\$185,213,445	\$157,761,477	85.2%	\$118,929,856	64.21%	42	\$78,070,116	42.15%	45
Minnesota*	\$113,744,177	\$83,177,447	73.1%	\$111,605,215	98.12%	4	\$93,383,555	82.10%	4
Mississippi	\$76,398,635	\$69,807,963	91.4%	\$53,960,493	70.63%	33	\$36,791,359	48.16%	33
Missouri	\$120,607,794	\$126,726,357	105.1%	\$78,371,787	64.98%	39	\$49,812,263	41.30%	46
Montana	\$57,328,723	\$46,651,737	81.4%	\$46,105,318	80.42%	22	\$33,492,557	58.42%	18
Nebraska	\$58,797,672	\$45,159,403	76.8%	\$41,599,334	70.75%	32	\$27,255,409	46.35%	37
Nevada	\$47,459,172	\$49,370,223	104.0%	\$31,693,091	66.78%	37	\$26,176,609	55.16%	22
New Hampshire	\$34,148,619	\$33,370,458	97.7%	\$28,463,967	83.35%	14	\$19,473,264	57.03%	20
New Jersey	\$124,791,723	\$112,967,167	90.5%	\$95,203,648	76.29%	25	\$67,467,776	54.06%	24
New Mexico	\$68,019,590	\$74,017,800	108.8%	\$55,261,190	81.24%	19	\$44,265,364	65.08%	11
New York	\$243,762,783	\$230,652,602	94.6%	\$198,256,000	81.33%	18	\$107,998,134	44.30%	40
North Carolina	\$173,985,691	\$160,274,110	92.1%	\$142,519,980	81.91%	17	\$91,529,155	52.61%	27
North Dakota	\$45,861,917	\$36,685,953	80.0%	\$37,605,289	82.00%	16	\$32,530,829	70.93%	5
Ohio	\$200,830,733	\$114,098,413	56.8%	\$135,468,887	67.45%	35	\$116,506,321	58.01%	19
Oklahoma	\$101,085,689	\$74,914,219	74.1%	\$85,578,770	84.66%	10	\$53,263,941	52.69%	26
Oregon	\$71,331,872	\$39,835,194	55.8%	\$42,722,904	59.89%	45	\$35,054,295	49.14%	32
Pennsylvania	\$163,363,311	\$177,975,000	108.9%	\$87,917,289	53.82%	48	\$50,217,811	30.74%	50
Puerto Rico	\$15,520,839	\$15,507,118	99.9%	\$15,520,839	100.00%	1	\$13,643,298	87.90%	1
Rhode Island	\$30,797,136	\$21,752,648	70.6%	\$19,898,799	64.61%	41	\$13,923,826	45.21%	38
South Carolina	\$102,560,390	\$45,707,845	44.6%	\$74,090,913	72.24%	31	\$43,921,872	42.83%	44
South Dakota	\$48,788,355	\$28,319,140	58.0%	\$26,892,223	55.12%	47	\$25,500,511	52.27%	28
Tennessee	\$125,977,970	\$145,949,619	115.9%	\$80,069,187	63.56%	43	\$54,235,325	43.05%	41
Texas	\$471,888,086	\$475,463,581	100.8%	\$247,646,183	52.48%	49	\$164,162,389	34.79%	48
Utah	\$45,558,157	\$31,029,054	68.1%	\$33,689,759	73.95%	30	\$29,941,626	65.72%	9
Vermont	\$30,222,389	\$34,401,913	113.8%	\$27,029,357	89.43%	6	\$19,823,132	65.59%	10
Virginia	\$128,913,103	\$141,352,985	109.6%	\$104,243,498	80.86%	20	\$51,420,051	39.89%	47
Washington*	\$96,388,666	\$114,609,232	118.9%	\$82,170,246	85.25%	9	\$66,536,897	69.03%	7
West Virginia	\$47,429,397	\$47,874,994	100.9%	\$39,742,902	83.79%	13	\$25,494,060	53.75%	25
Wisconsin	\$143,455,055	\$125,912,488	87.8%	\$67,050,703	46.74%	51	\$46,308,501	32.28%	49
Wyoming	\$37,511,164	\$35,970,167	95.9%	\$37,367,457	99.62%	2	\$32,639,653	87.01%	2
TOTAL	\$5,967,916,235	\$5,620,636,771	94.2%	\$4,305,656,850	72.2%		\$3,019,180,424	50.6%	

*Minnesota and Washington figures have been adjusted for STP pilot. All figures represent cumulative totals FY92-FY02

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- Differences in methodology for tracking projects between the States and NTEC.

For example, Ohio reported that its obligations were higher than programming figures because they have only been reporting projects selected at the State level and not those selected on the regional or local level. Other States report an inability to track older, ISTEA-era projects.

Another programming data issue to note is that 16 States have programming totals that are higher than apportionments. Possible reasons for this include:

- States program more than their apportionments with the expectation that some projects may be dropped;
- Older project data might not have been updated, so projects that have been dropped or had their funding levels changed are not accounted for;
- Years assigned to projects may be incorrect, and some future-year programmed projects are included with past projects; and
- States may combine a TE project with other Federal or State funds, but not differentiate these in their data submission to NTEC.

Every year that NTEC collects data, an effort is made to increase the accuracy of the database, but without a full review and reconciliation by each State, discrepancies in programming figures will continue to exist. Nonetheless, the database and programming figures are still useful tools for the purposes of this report, and provide a centralized, national source of information about programmed projects that does not exist elsewhere.

Obligations: Current Trends

An obligation is a commitment by the Federal government to reimburse States for the Federal share of a project's cost. Obligation occurs when a formal project agreement is executed between the Federal government and the State. Obligated funds are then committed to a particular project. State DOTs are required to report obligations to FMIS. NTEC obtains these figures from FMIS for each State at the close of the fiscal year.

The financing of Federal-aid highway programs, such as TE, is a complex process that is beyond the scope of this report. However, part of the financing process is a budgetary control measure placed on obligations, referred to as limitations or obligation authority. A limitation on obligations is an upper limit placed on the sum of all obligations that can be made within a fiscal year for the entire Federal-aid Highway Program.

Along with their annual apportionments, Congress gives the Federal-aid Highway Program a limitation on obligations for that year to control annual Federal expenditures. Within the overall limitation, each State has flexibility to choose how it uses funds among the various highway programs as long as the total obligations do not exceed the set limit. Therefore, while there is an unobligated sum in the TE fund, not all of these funds may be accessible in a given year. Congress imposed an overall obligation limitation of roughly 89 percent on Federal-aid highway funds distributed to the States for FY 2002.

Limitations on obligations should be kept in mind, as this report discusses obligation rates which are calculated based on available funds without considering obligation limitations.

Table 2 shows that as of September 30, 2002, 72.2 percent of all available TE funds (cumulative FY 1992 through FY 2002) had been obligated. While this national obligation rate continues to fall short of FHWA's stated goal of 75 percent, the rate has continued to increase over the life of the TE Program. The 2002 rate is higher than the rate of 69.8 percent reported at the end of FY 2001.

There was also a continued increase in the amount of money States obligated during FY 2002 as shown in **Figure 1**. In FY 2002, the States obligated \$647.6 million, which is the highest amount ever obligated during a single fiscal year.

In recent years, many States have made great strides in moving their programmed projects to completion and have developed more effective methods for obligating TE funds. Seven states have increased their obligation rates by more than 10 percentage points since FY 2000: Arkansas, California, Kansas, Maryland, Missouri, Virginia, and Rhode Island. Virginia has seen the largest increase in obligations from 48 percent in FY 2001 to 80 percent in FY 2002. Virginia attributes the increase not only to the efforts of its staff, but also to a change in their accounting methodology. Previously, Virginia would obligate each project in phases. Now it obligates the entire project at the start.

Other possible contributing factors to increases in obligations include the maturation of the TE Program and the movement of older projects to the implementation stage. Despite the increases in obligations, the amount of TE funds unobligated as of FY 2002 was \$1.66 billion.

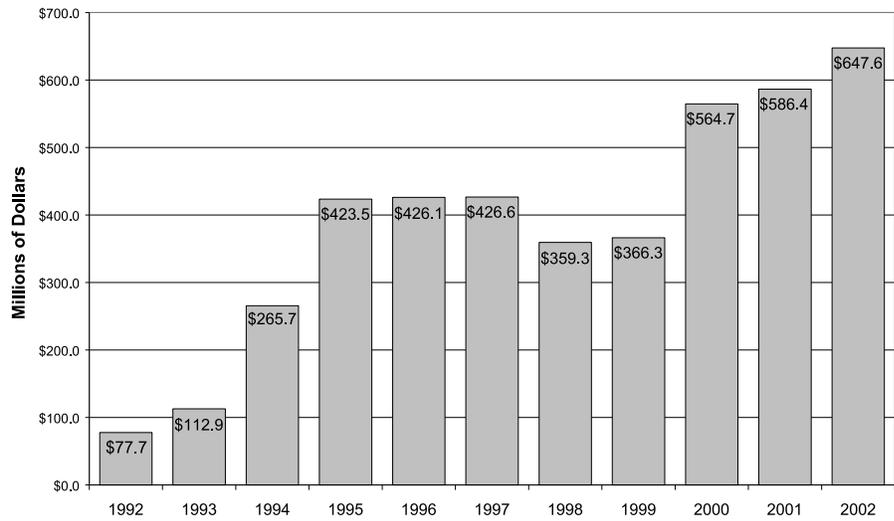
Obligations: Future Trends

According to apportionment data provided by FMIS, at least \$6.56 billion is projected to be made available to the States by the end of TEA-21 (FY 1992 through FY 2003). This figure includes RABA revisions to apportionments through FY 2002, and FMIS projections for STP apportionments for FY 2003. If the states are able to obligate TE funds each year at the same level they did in FY 2002 (\$648 million), they will have cumulatively obligated \$4.95 billion by the end of TEA-21. This would be 75 percent of estimated available TE funds and would meet FHWA's 75 percent obligation goal at the end of TEA-21. However, this would still leave \$1.6 billion in TE funds unobligated. Future trends are presented in **Figure 2**.

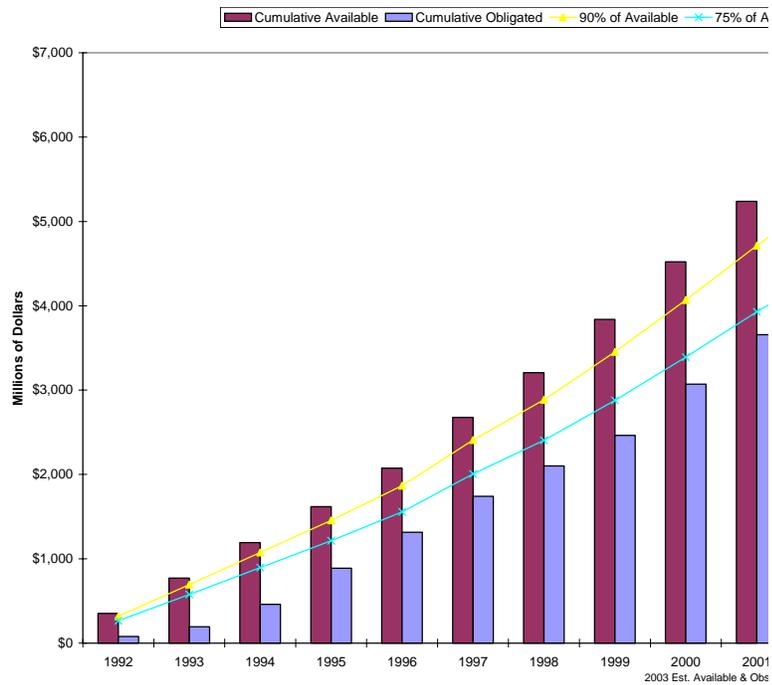
Obligations: Issues

Obligation rates alone do not provide a clear picture of a State's TE Program. They do, however, track the status of TE funding. It is not NTEC's intention to rate or grade State programs. There are States that have demonstrated a clear commitment to TE projects and yet have lower obligation rates. Additionally, there are many fine TE-eligible projects being constructed from funding sources other than TE. While trends can be outlined at the national level, obligation rates are best explained in terms of State-specific policies and procedures for implementing TE projects. In the past, NTEC solicited feedback from all State TE managers in order to better understand the reasons why State obligation rates vary considerably. Insightful information about how States actually obligate projects and what the problems are that impede obligations reveals some of the factors that contribute to low obligation rates. Frequently mentioned were:

**Figure 1: Amount TE Funds Obligated Each Fiscal Year
FY 1992 to FY 2002**



**Figure 2: TE Obligation Trend if Obligations
Continue at FY 2002 Level \$648 Million/Year**



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- Problems in the project development process that have led to significant project delay are often the result of inexperienced project sponsors that lack the preparation and support to implement projects in a timely manner. Delays have resulted from inaccurate cost estimates, the inability to raise matching funds, an unfamiliarity with environmental and historic preservation review requirements, and the use of inappropriate design standards. Some States have effectively dealt with this problem by providing more support to project sponsors during the application process as well as during implementation by developing training programs, increasing staff resources, and hiring consultants.
 - It has been reported that some DOTs treat TE projects as if they were highways, requiring a level of design detail and environmental review that can be at odds with the small-scale nature of most TE projects and at odds with Federal guidance that encourages a streamlined approach. Such strict requirements slow down the implementation of projects, thus creating a lag between the programming and obligation stages.
 - Right-of-way acquisition has been cited as a problem in the project development process. Some States have faced costly legal actions due to right-of-way issues and have subsequently adopted stringent requirements. To combat this problem, some States have required applicants to obtain a written right-of-way agreement prior to project selection.
 - State procedures for obligating projects and varying accounting practices impact the obligation rate. Some States obligate projects in stages as the work for those stages is ready to proceed. Some States either exclusively or primarily pay for only the construction costs of TE projects and release full obligation authority once construction is ready to occur. Moving a project to the construction-ready stage can take years, so obligating these projects also can take a long time. Both approaches are used by States that have the lowest obligation rates. This undoubtedly contributes to the low obligation rate in these States, and the higher rate in other States that release full project obligation (all stages) earlier in the process.
 - FHWA sets the annual obligation limitation for the overall amount of Federal-aid highway funds apportioned to each State. State DOTs have the authority to set priorities and choose which programs absorb the obligation limitation. Some State DOTs evenly distribute the limitation across all programs, other DOTs prioritize programs and place lower limitations on some programs at the expense of others considered to be of lower priority. According to information published by the Surface Transportation Policy Project, TE has the lowest cumulative obligation rate. A few State TE managers have reported that in their State TE is considered lower priority. TE suffers the brunt of the limitations and, therefore, they are unable to obligate TE funds at higher levels. They report a situation in which they will never be able to “catch up” their obligation rate because of the limitations.

There is no simple explanation for low obligation rates, just as there is no single way of moving a project through the implementation process that will work in every State or for

every project. The national obligation rate is the result of the many factors involved in using Federal-aid funds managed by State DOTs and implemented by localities. Low obligations are an indication that there can be significant delays to moving projects forward and getting the funds into the communities that request them.

Reimbursements

The final stage of TE project funding is reimbursement for work completed. **Table 2** shows that the cumulative national reimbursement rate at the end of FY 2002 was 50.6 percent, an increase of 2.4 percentage points over the reimbursement rate at the end of FY 2001. Reimbursement rates range from a low of 19.6 percent to a high of 87.9 percent.

The reimbursement rate will always be lower than the obligation rate, since work cannot be reimbursed if it has not occurred. It is likely that the reimbursement rate will continue to increase in future fiscal years as authorized work on TE projects is completed. Nonetheless, reimbursements represent completed work, and at just over 50 percent after 10 years, the reimbursement rate indicates how slowly TE projects move from selection to completion.

Transfers

In FY 2002 there was an increase in the amount of money that was transferred out of TE and into other Highway Trust Fund programs as allowed by TEA-21. Under the authority of special provisions included in TEA-21, States are given an annual ceiling on the amount of funds that can be transferred, up to 25 percent of the portion of a State's annual TE funding that is above the State's FY 1997 TE apportionment level. In FY 2002, 10 States transferred a total of \$16.24 million. **Table 3** provides a comparison of transfers from TE since FY 1999. As shown in the table, Missouri has transferred the largest sum, \$7.88 million, most of which has gone to the National Highway System (NHS) fund. The majority of funds transferred since FY 1999, \$17 million, have gone to the Federal Transit Administration (FTA). Virginia made the largest transfer to date of \$6.35 million to NHS. Tennessee transferred \$1.9 million to the Recreational Trails Program for a hiking trail.

Based upon discussions with State TE managers, it appears that the majority of the transferred money is being used on TE-type projects. The amount of money being transferred is also small in comparison to the total funds available for TE projects during FY 2002. The total amount transferred to date, \$31,694,386, accounts for only 0.53 percent of cumulative available funds. Transfers are thus a very small percentage of available funds and do not significantly detract from the funding of TE activities.

Table 3: TE Fund Transfers (to Program)

STATE	FY 1999	FY 2000	FY 2001	FY 2002	TOTAL TE FUNDS TRANSFERRED FY 1999-2002
California		\$847,000 (FTA)	\$1,966,265 (FTA)	\$2,677,000 (FTA)	\$5,490,265
Colorado				\$257,292 (FTA)	\$257,292
Florida				\$168,000 (FTA)	\$168,000
Illinois		\$88,000 (FTA)			\$88,000
Iowa		\$72,000 (FTA)	\$16,800 (FTA)		\$88,800
Michigan		\$155,000 (FTA)	\$28,000 (FTA)	\$185,840 (FTA)	\$368,840
Missouri	\$1,062,624 (NHS)	\$2,699,243 (NHS)	\$1,136,805 (FTA) \$1,341,721 (NHS)	\$294,790 (FTA) \$1,340,060 (NHS)	\$7,875,243
Montana			\$45,513 (FTA)		\$45,513
New Jersey			\$2,000,000 (FTA)		\$2,000,000
Ohio			\$183,750 (FTA)	\$196,000 (FTA)	\$379,750
Rhode Island			\$64,000 (FTA)		\$64,000
Tennessee		\$448,112 (Rec.Trails)	\$661,701 (Rec.Trails)	\$790,617 (Rec.Trails)	\$1,900,430
Texas				\$2,752,320 (FTA)	\$2,752,320
Virginia			\$17,914 (FTA)	\$6,350,686 (NHS)	\$6,368,600
Washington			\$2,615,000 (FTA)	\$1,232,333 (FTA)	\$3,847,333
Subtotals					
to NHS	\$1,062,624	\$2,699,243	\$1,341,721	\$7,690,746	\$12,794,334
to FTA		\$1,162,000	\$8,074,047	\$7,763,575	\$16,999,622
to Rec.Trails		\$448,112	\$661,701	\$790,617	\$1,900,430
Total	\$1,062,624	\$4,309,355	\$10,077,469	\$16,244,938	\$31,694,386

DISTRIBUTION ACROSS THE TRANSPORTATION ENHANCEMENT ACTIVITIES

One of the most important uses of NTEC's TE project database is for interpreting how TE funds are being spent across the 12 eligible activities. The funding levels represented in this database are *programming* numbers, not obligations. The data used to derive these programming figures is provided by each State DOT. By working directly with State TE managers, NTEC makes every effort to reflect the current and final costs associated with every project and capture those costs in the database funding fields.

The Twelve Transportation Enhancement Activities

Figure 3 illustrates the distribution of funds across all 12 activities for FY 2002. The percentages have shifted slightly from previous years. Bicycle and Pedestrian Facilities (Activity 1) received almost half of all programmed funds at 45 percent and the category has remained steady since FY 2001. Landscaping and Scenic Beautification (Activity 5) received 17 percent of all programmed funds (up one percentage point from FY 2001 and up three percentage points from FY 2000). Historic Preservation (Activity 6), combined with Rehabilitation and Operation of Historic Transportation Buildings, Structures, or Facilities (Activity 7), received 17 percent of all programmed funds (down one percentage point from FY 2001 and three percentage points from FY 2000). Preservation of Abandoned Railway Corridors (Activity 8) received nine percent (down one percentage point from FY 2001. Together, these five activities account for 88 percent of programmed TE funds.

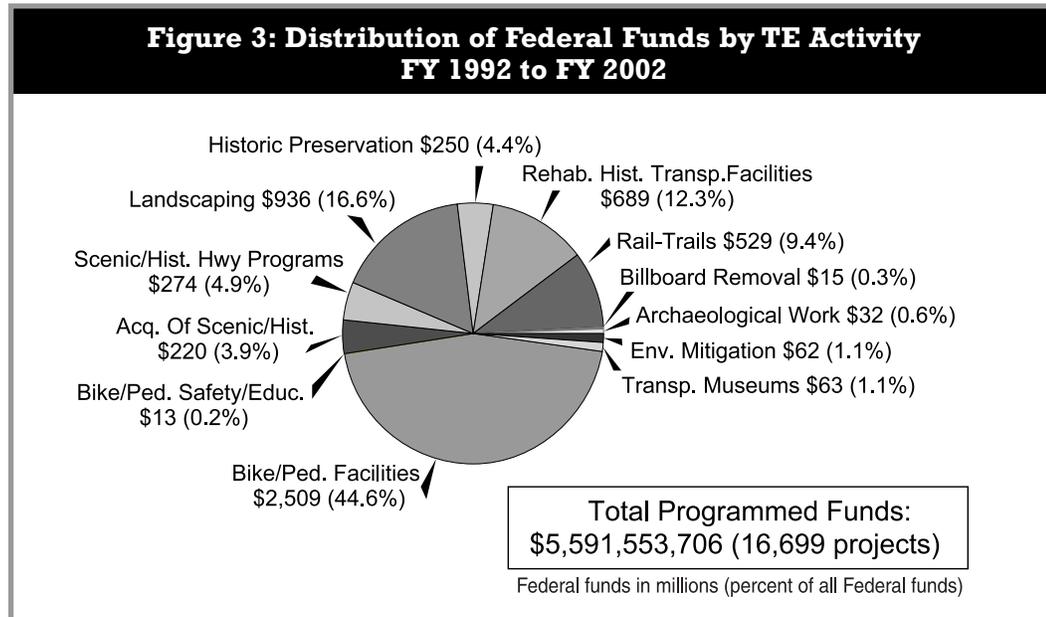
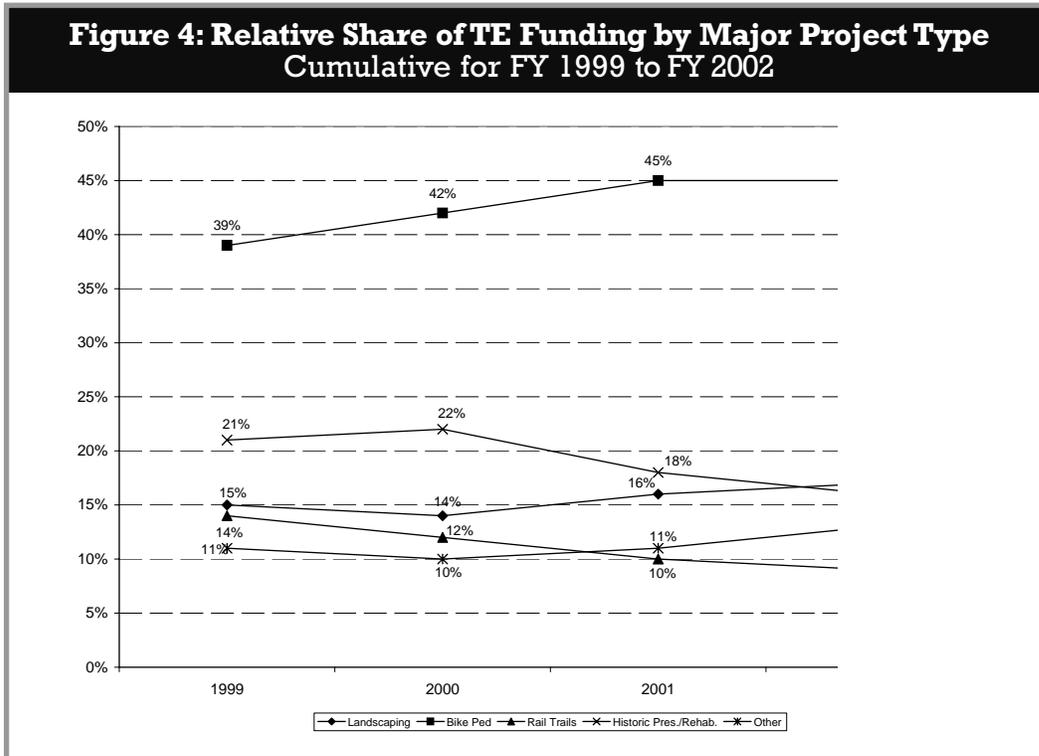


Figure 4 provides a graphic representation of categorical funding trends since FY 1999. The percentages presented are cumulative for FY 1999 to FY 2002. The figure shows that the relative shares of TE funding for pedestrian and bicycle facilities and landscaping and

scenic beautification have risen since FY 1999, while historic preservation and rehabilitation and rail-trails have been on the decline.



The majority of projects in the landscaping and scenic beautification category involve landscaping along highways and at interchanges, including native wildflower plantings. Streetscape projects are also popular in this category, and their numbers have been increasing. The average project size is \$282,000, lower than the average TE project (\$335,000) as discussed later in this report. Landscaping and scenic beautification projects generally require less preliminary engineering, right-of-way acquisition, and permitting than other types of TE projects and generally can be completed more quickly.

The percentage of TE funds dedicated to historic preservation and rehabilitation projects has been decreasing over the past several years. Historic bridge rehabilitation accounted for the majority of the funds in these two categories. Railroad depot renovations also account for a large share of these funds. The average project size in these categories is \$381,000, higher than the average TE project. Historic preservation and rehabilitation projects are generally more complex, require more engineering and design, and take longer to complete than landscaping projects which could account for their declining share of TE funds.

The average rail-trail project received \$435,000 in TE funds. This figure is larger than funding for the average TE project. Rail-trail projects are often considered more complex and take longer to realize than other types of TE projects which may contribute to their declining numbers.

The TEA-21 Transportation Enhancement Activities

More of the two new and two modified activities instituted by TEA-21 were programmed during FY 2002, raising the total amount of funds now awarded to these activities to \$271.5 million as shown in Table 4. Overall, the total amount of Federal TE funds dedicated to these

New/Modified TEA	# of Projects as of FY 2002	Federal TE Funds as of FY 2002
Bike/Ped Safety/Education	72	\$12.6 million
Visitor Centers	347	\$193.6 million
Wildlife Connectivity	16	\$2.1 million
Transportation Museums	162	\$63.2 million
Totals	597	\$271.5 million

new activities in FY 2002 was 4.5 percent of the total available funds. Visitor centers account for the majority of programming of these projects. Funding for wildlife connectivity projects decreased due to several large projects being dropped from the TE program in California. These results show that, with the exception of wildlife connectivity, these new and modified TE activities were increasingly incorporated into State TE programs, and these TE activities are expected to continue to grow during the remainder of TEA-21.

Future Programming

The distribution pattern of funds across TE activities within the group of 1,221 projects programmed for future years in NTEC's database differs from the distribution across projects from past years as shown in Table 5, but follows the trends indicated in Figure 4. Bicycle and Pedestrian Facilities account for 56 percent of future programmed funds. Landscaping projects show an increasing share at 19 percent, while the shares of historic preservation, rehabilitation of transportation facilities, and rail-trails are lower in future programming.

While these figures show a shift across TE activities, they should not be interpreted as a prediction of where TE funds will be programmed by all States in future fiscal years since not all States programmed projects for future years. These numbers only indicate where some future funds have been committed.

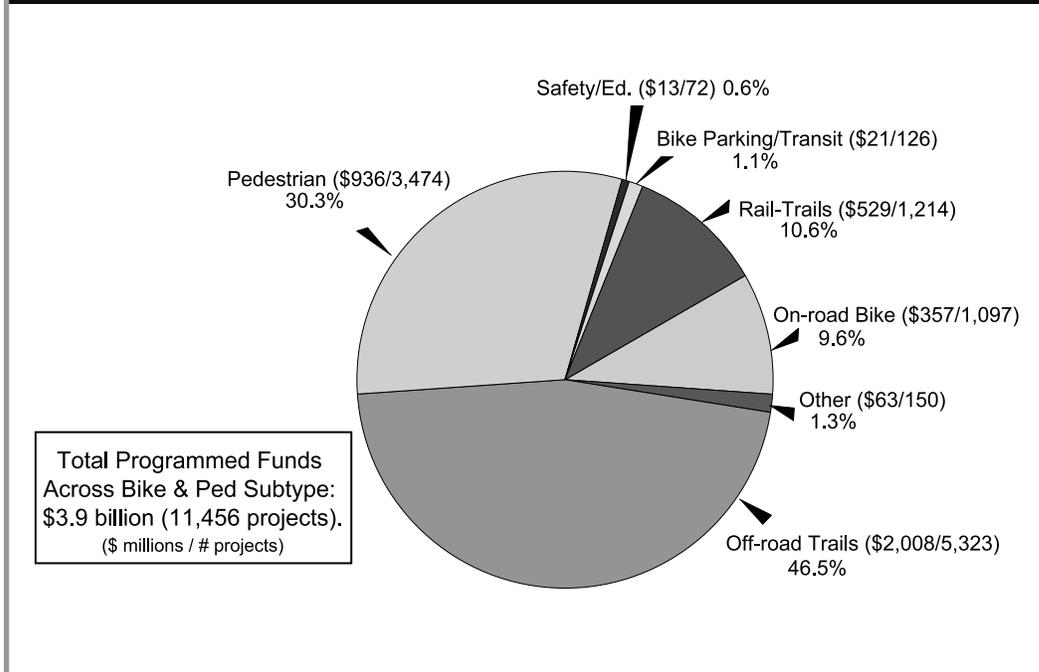
Bicycle and Pedestrian Facility Project Subtypes

Historically, bicycle and pedestrian facilities have had the largest percentage shares of programmed TE funds. NTEC tracks the distribution of funds within these activities as "subtypes" of the activities. Figure 5 shows the distribution of Federal programmed funds to TE projects with a bicycle and pedestrian component (Activities 1, 2 and 8). Figure 5 illustrates that the highest number of bicycle and pedestrian facilities are off-road trails, with pedestrian facilities accounting for the second largest share of programmed TE funds associated with bicycle and pedestrian facilities. Rail-trails and on-road bicycle facilities comprise the next largest shares, respectively.

Table 5: Programmed Projects by TE Activities for FY 2003 and Beyond

TE Activity	Project Count	Projects	Federal TE \$	% of All Federal Funds
Bike/Ped Facilities	644	52.7%	\$251,020,544	56.2%
Bike/Ped Safety/Educ.	9	0.7%	\$1,040,000	0.2%
Scenic/Hist. Acquis.	13	1.1%	\$3,612,590	0.8%
Scenic/Hist. Hwy. & Visitors Centers	99	8.1%	\$26,823,719	6.0%
Landscaping	268	21.9%	\$83,229,265	18.6%
Historic Preservation	40	3.3%	\$20,644,893	4.6%
Historic Transp. Facilities	74	6.1%	\$23,453,106	5.3%
Rail-Trails	37	3.0%	\$27,031,594	6.1%
Billboard Removal	0	0%	0	0%
Archaeology	12	1.0%	\$3,011,195	0.7%
Runoff Mitigation & Wildlife Connec.	18	1.5%	\$1,710,650	0.4%
Transportation Museums	7	0.6%	\$4,406,905	1%
National Totals	1,221		\$446,074,461	

Figure 5: Distribution of Funds Across Bike & Pedestrian Project Subtypes FY 1992 to FY 2002



Programmed Federal Awards and Match Rates

The NTEC project database provides information regarding funding on a project-by-project basis. This data helps NTEC analyze the average project award in each State. Table 6 illustrates that, nationwide, the average Federal project award was \$335,380. Average awards by State varied from \$94,082 in Nebraska to \$1,034,907 in Hawaii.

The Federal-aid Highway program requires that Federal highway funds be matched with funds from other sources. These funds are commonly referred to as the non-Federal share of project costs (even though the match can come from another Federal agency). In general, projects receive a maximum 80 percent Federal share and minimum 20 percent non-Federal share. However, States with large Federal land holdings receive more than an 80 percent Federal share on a sliding scale. Provisions of TEA-21 allow the ratios to vary on a project-by-project basis provided that for a given fiscal year, the program as a whole reflects an average 20 percent non-Federal share.

Each State DOT established its own guidelines and requirements for providing the non-Federal share of project costs. States require local sponsors to provide a share of project costs. The amount required varies by State.

- Arizona, for example, with its large Federal land holdings and higher Federal share, passes along the “savings” in non-Federal share by requiring only a six percent match of total project costs by project sponsors.
- Maryland, on the other hand, requires a 50 percent match by project sponsors in order to spread the available Federal funds across more projects.
- Some States (e.g., Florida, New Jersey, and Pennsylvania) use toll credits to supplement sponsors’ contributions and meet non-Federal share requirements.

All States are allowed by law to consider the value of donations (e.g. cash, land, materials, or services) towards the non-Federal share. Some States recognize these in-kind donations as part of the non-Federal share, others do not. An overview of State-specific policies can be found on the NTEC Web site at www.enhancements.org.

NTEC attempts to collect information on the portion of the non-Federal share that is the responsibility of the project sponsors on a project-by-project basis. The States report this information to NTEC in different ways. Some States report the entire non-Federal share of projects costs, while others (e.g., Florida) report only the portion of the non-Federal share that the sponsor actually pays, and not the portion supplied by toll credits. Some States have reported the value of in-kind donations, others have not. Despite the differences in reporting methods, Table 6 provides information on the matching funds that have been reported by each State.

In FY 2002, the average national match rate was 28.7 percent. This percentage continues to show that the non-Federal share of project costs is on average higher than the 20 percent standard defined in ISTEA and TEA-21. Table 6 shows that 34 States had a match rate higher than 20 percent, and 13 of these States had a rate higher than the national average of 28.7 percent. Overall, this higher national match rate is attributable to State policies that encourage or require a higher non-Federal share, project sponsors voluntarily providing more than required, or the State choosing not to use Federally-approved procedures for reducing or eliminating the required non-Federal share.

Table 6: Programmed Federal Awards and Matching Funds FY 1992 through FY 2002

STATE	PROJECT COUNT	FEDERAL AWARDS	AVERAGE FEDERAL AWARD	MATCHING FUNDS	MATCH RATE	MATCH RANK
Alabama	543	\$108,962,457	\$200,668	\$27,047,778	19.9%	13
Alaska	238	\$73,319,807	\$308,066	\$13,196,928	15.3%	2
Arizona	301	\$108,111,629	\$359,175	\$22,950,758	17.5%	6
Arkansas	420	\$83,413,930	\$198,605	\$24,637,391	22.8%	24
California	1112	\$701,203,000	\$630,578	\$413,472,000	37.1%	46
Colorado	359	\$62,914,088	\$175,248	\$20,360,565	24.4%	29
Connecticut	162	\$96,884,217	\$598,051	\$24,118,516	19.9%	14
Delaware	119	\$27,296,607	\$229,383	\$17,361,117	38.9%	47
District of Columbia	50	\$23,492,888	\$469,858	\$4,245,573	15.3%	3
Florida	708	\$263,871,360	\$372,700	\$17,704,415	6.3%	1
Georgia	458	\$220,441,436	\$481,313	\$58,562,481	21.0%	20
Hawaii	34	\$35,186,841	\$1,034,907	\$8,796,713	20.0%	18
Idaho	89	\$28,800,431	\$323,600	\$10,413,354	26.6%	36
Illinois	388	\$254,367,383	\$655,586	\$65,800,158	20.6%	19
Indiana	233	\$132,907,158	\$570,417	\$33,226,795	20.0%	17
Iowa	466	\$79,074,569	\$169,688	\$74,298,609	48.4%	49
Kansas	161	\$55,943,478	\$347,475	\$16,133,041	22.4%	23
Kentucky	377	\$92,423,632	\$245,156	\$27,802,195	23.1%	27
Louisiana	275	\$82,830,289	\$301,201	\$18,436,115	18.2%	7
Maine	162	\$28,905,123	\$178,427	\$9,002,146	23.7%	28
Maryland	175	\$101,696,057	\$581,120	\$160,021,573	61.1%	52
Massachusetts	230	\$61,294,084	\$266,496	\$15,319,325	20.0%	15
Michigan	931	\$157,761,477	\$169,454	\$71,938,354	31.3%	41
Minnesota (adj)	303	\$83,177,447	\$274,513	\$31,551,044	27.5%	38
Mississippi	114	\$69,807,963	\$612,351	\$24,833,565	26.2%	35
Missouri	498	\$126,726,357	\$254,471	\$61,464,976	32.7%	45
Montana	460	\$46,651,737	\$101,417	\$19,502,835	29.5%	40
Nebraska	480	\$45,159,403	\$94,082	\$15,308,317	25.3%	32
Nevada	98	\$49,370,223	\$503,778	\$14,670,059	22.9%	25
New Hampshire	139	\$33,370,458	\$240,075	\$8,341,249	20.0%	16
New Jersey	292	\$112,967,167	\$386,874	\$52,032,020	31.5%	43
New Mexico	261	\$74,017,800	\$283,593	\$24,681,100	25.0%	30
New York	410	\$230,652,602	\$562,567	\$106,177,637	31.5%	42
North Carolina	536	\$160,274,110	\$299,019	\$47,695,827	22.9%	26
North Dakota	125	\$36,685,953	\$293,488	\$8,465,873	18.7%	9
Ohio	233	\$114,098,413	\$489,693	\$74,340,195	39.5%	48
Oklahoma	177	\$74,914,219	\$423,244	\$17,690,624	19.1%	11
Oregon	118	\$39,835,194	\$337,586	\$15,005,332	27.4%	37
Pennsylvania	474	\$177,975,000	\$375,475	\$42,415,000	19.2%	12
Puerto Rico	17	\$15,507,118	\$912,183	\$5,951,529	27.7%	39
Rhode Island	103	\$21,752,648	\$211,191	\$4,344,063	16.6%	5
South Carolina	334	\$45,707,845	\$136,850	\$22,156,242	32.6%	44
South Dakota	155	\$28,319,140	\$182,704	\$9,712,905	25.5%	33
Tennessee	389	\$145,949,619	\$375,192	\$34,437,393	19.1%	10
Texas	505	\$475,463,581	\$941,512	\$106,431,351	18.3%	8
Utah	84	\$31,029,054	\$369,394	\$10,941,394	26.1%	34
Vermont	196	\$34,401,913	\$175,520	\$11,519,480	25.1%	31
Virginia	730	\$141,352,985	\$193,634	\$169,378,321	54.5%	51
Washington (adj)	524	\$114,609,232	\$218,720	\$115,892,275	50.3%	50
West Virginia	260	\$47,874,994	\$184,135	\$13,341,251	21.8%	21
Wisconsin	516	\$125,912,488	\$244,016	\$35,836,511	22.2%	22
Wyoming	237	\$35,970,167	\$151,773	\$6,631,629	15.6%	4
TOTAL	16,699	\$5,620,636,771	\$18,696,220	\$2,265,595,897	28.7%	

Most match figures above do not account for the value of toll credits or "soft match"

Conclusions

Transportation Enhancement funds are in high demand. The number of requests for projects exceeds available funding and the larger than required non-Federal share amounts also indicate the high demand. Despite the uncertainties of the upcoming reauthorization of the Federal surface transportation program, States have continued to select projects at a high rate and have selected projects for future fiscal years. The 12 TE activities continue to be funded at similar percentages as in past years with some minor adjustments. The number of projects in the new or modified TE activities continues to increase, and the highest funded activity continues to be bicycle and pedestrian related facilities. Historic preservation/rehabilitation projects and rail-trails have experienced a slight decline while landscaping and scenic beautification projects have increased.

Despite the high selection rate, data once again shows there is a lag between selection and implementation of TE projects as indicated by relatively low national obligation and reimbursement rates. NTEC continues to use obligations as an indication of the status of the program because it is an indication of the movement of projects from vision to reality. Because there appears to be delay at obligation, NTEC chooses to focus on that number for information about progress.

There are explanations for lower than optimal obligation figures including: time for a project to go through review and finalize design plans; unprepared and inexperienced project sponsors; and State priorities and procedures for obligating TE projects. Of these, State priorities may be the most important as indicated by the higher obligation rates in every other Federal-aid Highway spending category. States have the flexibility to prioritize and distribute obligation authority among the various programs. This discretion has had an impact on the overall spending of TE funds. Political support for TE activities can make the difference in a State's obligations.

Nationwide, there has been an overall trend of increasing obligation rates over the past five years. Some State DOTs have worked hard to reexamine their administration of TE funds and projects to remove obstacles and streamline project implementation. Unobligated funds mean unrealized TE projects, projects that bring social and economic benefits to communities. More work can be done to make the timely delivery of TE projects a greater priority and bring the obligation rate on par with other Federal-aid highway programs.

Appendix A: The Federal-Aid Financing Process

Apportionments are the funds distributed among the States as prescribed by statutory formula. Transportation Enhancements funds represent a minimum 10 percent set aside of each State's Surface Transportation Program (STP) funds, plus 10 percent of the portion of Minimum Guarantee funds and Revenue Aligned Budget Authority that are distributed to the STP.

Programming is the first step in the formal transportation spending process. *Programmed* projects are those that have been approved at the State level by the appropriate jurisdiction, ruling body, or official. This may be the TE advisory committee, State transportation commission, legislature, State Secretary of Transportation, or Governor. Upon approval TE projects are listed in the Statewide Transportation Improvement Program (STIP) and, if appropriate, in a metropolitan area TIP as well. Not all projects that are programmed make it to obligation for numerous reasons, such as inability to raise local match. The figures presented in this report as *programmed* are cumulative totals beginning with the first fiscal year of ISTEA, 1992. As States make revised funding levels available for projects programmed in earlier years, these changes are reflected in the NTEC database. This report uses the terms awarded, selected, and programmed interchangeably.

Obligations represent a second step in the spending process. An obligation is the formal commitment of a specified amount of funding for a particular project. Technically speaking, it is an obligation of the FHWA to reimburse a State for costs incurred. It represents a high level of commitment on the part of both the State DOT and the FHWA to fund a project. Obligations are typically made when a project or discrete project phase is ready to have consultants or contractors begin billable work. Obligations are tracked in the FHWA financial accounting system known as the Fiscal Management Information System (FMIS). In this report, the obligation figures used are also cumulative for FY 1992 through FY 2002. It should be noted that obligation figures by definition include a mix of both completed and soon-to-be completed work.

Reimbursements are the amount of funds FHWA has reimbursed to the States for completed work on TE projects, regardless of whether the project is only partially or fully complete. Reimbursement is essentially the last step in the spending process. While it is not necessarily the most accurate measure of completed projects, it is the only measure readily available on a nationwide basis.

TEA-21 Transfers indicate the amounts of money transferred from the TE Program to other Federal-aid Highway programs. Under the authority of special provisions included in TEA-21, States are given an annual ceiling on the amount of funds that can be transferred, up to 25 percent of the portion of a State's annual TE funding that is above the State's FY 1997 TE apportionment level. Over the course of six Federal fiscal years governed by TEA-21, a total of approximately \$108 million will be transferable. Transfers are tracked by FMIS.

STP Pilot Program Transfers: During ISTEA, Washington and Minnesota were part of a test pilot program with FHWA for transferring STP funds, including TE, to a special streamlined account. The DOTs still spent these funds on the STP programs from which the funds originated (i.e., transferred TE funds still were spent on TE projects). The test account was closed with the passage of TEA-21, so no other transfers occurred. Since these TE transfers were still spent specifically on TE projects, NTEC does not count them as transfers like the above stated TEA-21 transfers done by other States. NTEC also includes the value of Washington and Minnesota's special account transfers into these States' obligation rates, since the funds were obligated for TE projects. Overall, Washington transferred and spent \$18,258,375 on TE projects through this special account, and Minnesota transferred and spent \$25,309,910 on TE projects through this special account.

Appendix B: State DOT TE Manager Contact Information (as of May 2003)

NTEC's Web site – www.enhancements.org – features complete and current contact information for these and other TE-related government offices.

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DISTRICT OF COLUMBIA Kenneth Laden 202-671-2309 Ken.Laden@dc.gov	KENTUCKY Jan Clements 502-564-7686 Jan.Clements@mail.state.ky.us	NEBRASKA Jim Pearson 402-479-4881 JPearson@dor.state.ne.us
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