



U.S. Department
of Transportation

**Federal Transit
Administration**

CIRCULAR

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**Subject: URBANIZED AREA FORMULA PROGRAM: PROGRAM GUIDANCE
AND APPLICATION INSTRUCTIONS**

1. **PURPOSE.** This circular is a re-issuance of guidance on the administration and preparation of grant applications for the Urbanized Area Formula Program under 49 U.S.C. 5307. This revision incorporates provisions of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), [Public Law 109-59] and includes the most current available guidance as of the date of publication.
2. **CANCELLATION.** This cancels FTA Circular 9030.1C, "Urbanized Area Formula Program: Grant Application Instructions," dated October 1, 1998.
3. **AUTHORITY.**
 - a. Federal Transit Laws, Title 49, United States Code, Chapter 53.
 - b. 49 CFR 1.51.
4. **WAIVER.** FTA reserves the right to waive any provisions of this circular to the extent permitted by Federal law or regulation.
5. **FEDERAL REGISTER NOTICE.** In conjunction with publication of this circular, a *Federal Register* notice was published on March 31, 2010 (75 FR 16229), addressing comments received during the development of the circular.
6. **AMENDMENTS TO THE CIRCULAR.** FTA reserves the right to update this circular to reflect changes in other revised or new guidance and regulations that undergo notice and comment, without further notice and comment on this circular. FTA will post updates on our website at www.fta.dot.gov. The website allows the public to register for notification when FTA issues *Federal Register* notices or new guidance. Please visit the website and click on "sign up for e-mail updates" for more information.
7. **ACCESSIBLE FORMATS.** This document is available in accessible formats upon request. To obtain paper copies of this circular as well as information regarding these accessible formats, call FTA's Administrative Services Help Desk, at: 202-366-4865. Individuals with hearing impairments may contact the Federal Relay Service at 1-800-877-8339 for assistance with the call.

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Administrator

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OPI: Office of Program
Management

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SECTION 5307 PROGRAM CIRCULAR

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I. CHAPTER I

INTRODUCTION AND BACKGROUND

1. THE FEDERAL TRANSIT ADMINISTRATION (FTA). FTA is one of ten modal administrations within the U.S. Department of Transportation (DOT). Headed by an Administrator appointed by the President of the United States, FTA functions through a Washington, DC, headquarters office, ten regional offices, and five metropolitan offices. These offices assist transit agencies in all 50 States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, Northern Mariana Islands, American Samoa, and federally recognized Indian Tribes.

Public transportation includes, but is not limited to, service to the public provided by buses, heavy rail, light rail, commuter rail, fixed guideway, passenger ferry boats, trolleys, inclined railways, people movers, vans, streetcars, jitneys and aerial tramways. Public transportation can be either fixed-route or demand-response service.

The Federal government, through FTA, provides financial assistance to develop new transit systems and improve, maintain, and operate existing systems. FTA oversees thousands of grants to hundreds of State and local transit providers, primarily through its ten regional offices. These recipients are responsible for managing their programs in accordance with Federal requirements, and FTA is responsible for ensuring that recipients follow Federal statutory and administrative requirements.

2. AUTHORIZING LEGISLATION. Most Federal transit laws are codified at title 49 U.S.C. Chapter 53. Authorizing legislation is substantive legislation enacted by Congress that establishes or continues the legal operation of a Federal program or agency. FTA's most recent authorizing legislation is the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), Public Law 109-59, signed into law on August 10, 2005, as amended by the SAFETEA-LU Technical Corrections Act, Public Law 110-244, June 6, 2008. This circular reflects changes to Federal transit law as well as changes required by other laws that have become effective since the circular was last published in 1998.
8. HOW TO CONTACT FTA. FTA's regional and metropolitan offices are responsible for providing financial assistance to FTA recipients and oversight of grant implementation for most FTA programs. Certain specific programs are the responsibility of FTA headquarters. Inquiries should be directed to either the regional or metropolitan office responsible for the geographic area in which the recipient is located. See Appendix F, "FTA Regional and Metropolitan Contact Information," of this circular for more information.

Visit FTA's website, <http://www.fta.dot.gov>, or contact FTA Headquarters at the following address and phone number:

Federal Transit Administration
Office of Communications and Congressional Affairs
1200 New Jersey Avenue SE
East Building
Washington, DC 20590
Phone: 202-366-4043
Fax: 202-366-3472

9. GRANTS.GOV. FTA posts all competitive grant opportunities on Grants.gov. Grants.gov is the one website for information on all discretionary Federal grant opportunities. Led by the U.S. Department of Health and Human Services (DHHS) and in partnership with Federal grant-making agencies, including 26 agencies, 11 commissions, and several States, Grants.gov is one of 24 government-wide E-government initiatives. It is designed to improve access to government services via the Internet. More information about Grants.gov is available at <http://www.grants.gov/>.
10. DEFINITIONS. All definitions in 49 U.S.C. 5302(a) and 5307 apply to this circulars well as the following definitions:
 - a. Applicant: In this circular, the term "applicant" is used in the context of an entity that is seeking, but has not yet been awarded, specific Federal financial assistance directly from FTA. The term "applicant" is used interchangeably with "grant applicant."
 - b. Associated Capital Maintenance: Equipment, tires, tubes, and material, each costing at least 0.5 percent of the current fair market value of rolling stock comparable to the rolling stock for which the equipment, tires, tubes, and material are to be used; and reconstruction of equipment and material, each of which after reconstruction will have a fair market value of at least 0.5 percent of the current fair market value of rolling stock comparable to the rolling stock for which the equipment and material will be used, and other materials utilized in the reconstruction of equipment and materials as "Spare Parts."
 - c. Capital Lease: Any transaction whereby the recipient acquires the right to use a capital asset without obtaining ownership.
 - d. Chief Executive Officer of a State: The Governor of any of the 50 States or Puerto Rico, the Northern Mariana Islands, Guam, American Samoa, and Virgin Islands, the Mayor of the District of Columbia, or his/her designee.
 - e. Clean Fuel Bus: A passenger bus used to provide public transportation that is powered by compressed natural gas (CNG), liquefied natural gas, propane, biodiesel fuels, batteries, alcohol-based fuels, hybrid electric, fuel cell, clean diesel (to the extent allowed under 49 U.S.C. 5308), or other low or zero emissions technology that the

Administrator of the Environmental Protection Agency (EPA) has certified sufficiently reduces harmful emissions.

- f. Coordinated Plan: See “Locally Developed, Coordinated Public Transit-Human Services Transportation Plan.”
- g. Cost of Project Property: This is the net invoice unit price, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the intended purpose. Other charges, such as the cost of inspection, installation, transportation, taxes, duty or in-transit insurance, should be treated in accordance with the grantee’s regular accounting practices, in the same or as separate line items. The cost of items separately installed and removable from rolling stock, such as fareboxes and radios, is treated as a separate acquisition and not as part of the cost of the vehicle.
- h. Direct Recipient: For purposes of this circular, a direct recipient is any public agency authorized to receive Urbanized Area Formula Program funds directly from FTA.
- i. Designated Recipient: The term “designated recipient” as defined at 49 U.S.C. 5307(a) (2) means: (A) an entity designated, in accordance with the planning process under 49 U.S.C. Sections 5303, 5304, and 5306, by the chief executive officer of a State, responsible local officials, and publicly owned operators of public transportation, to receive and apportion amounts under 49 U.S.C. 5336 that are attributable to transportation management areas identified under 49 U.S.C. 5303; or (B) a State or regional authority if the authority is responsible under the laws of a State for a capital project and for financing and directly providing public transportation.
- j. ECHO: Electronic Clearing House Operation: ECHO is a FTA Web-based application that processes draw-down payment requests from FTA grantees.
- k. Equipment: An article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5,000. Equipment includes rolling stock and all other such property used in the provision of public transit service.
- l. Fleet Status Report: A report in TEAM that identifies rolling stock to be replaced, retired, or disposed. Appendix D of this circular contains a sample Fleet Status Report.
- m. Governor: See “Chief Executive Officer of a State.”
- n. Grant: An award of financial assistance, including a Cooperative Agreement, in the form of money, or property in lieu of money, by the Federal Government to an eligible grantee or recipient. Used interchangeably with Grant Agreement.

- o. Grant Application: A complete application for an award of financial assistance, including cooperative agreements, in the form of money, or property in lieu of money, by the Federal Government to an eligible recipient.
- p. Growing States: States forecasted to expand in population size based upon annual population estimates and estimates determined by the decennial census. See 49 U.S.C. 5340(c)(1).
- q. High Density States: States with population densities in excess of 370 persons per square mile. See 49 U.S.C. 5340(d)(1).
- r. Intelligent Transportation Systems (ITS): ITS refers to the use of electronics, communications, or information processing used as a single component or in combination to improve efficiency or safety of a transit or highway system.
- s. Large Urbanized Area: Any urbanized areas (UZA) with a population of at least 200,000 at the time of the last decennial census.
- t. Locally Developed, Coordinated Public Transit-Human Services Transportation Plan: A plan that identifies the transportation needs of individuals with disabilities, older adults, and people with low incomes, provides strategies for meeting those local needs, and prioritizes transportation services for funding and implementation.
- u. Master Agreement: The FTA official document containing FTA and other cross-cutting Federal requirements applicable to the FTA recipient and its project(s). The Master Agreement is generally revised annually in October. The Master Agreement is incorporated by reference and made part of each FTA grant, cooperative agreement, and amendment thereto.
- v. Metropolitan Planning Area: The geographic area determined by agreement between the Metropolitan Planning Organization (MPO) for the metropolitan area and the Governor of the State, within which the metropolitan transportation planning process is carried out.
- w. Metropolitan Planning Organization (MPO): The policy board of an organization designated in cooperation with the State and public transportation operators to carry out the metropolitan planning process, including development of long-range transportation plans and transportation improvement programs for metropolitan planning areas of a State.
- x. Mobility Management: Consists of short-range planning and management activities and projects for improving coordination among public transportation and other transportation service providers carried out by a recipient or subrecipient through an agreement entered into with a person, including a government entity, under 49 U.S.C. Chapter 53 (other than 49 U.S.C. 5309). Mobility management does not include operating public transportation services.

- y. National Transit Database (NTD): The NTD was established by Congress to be the Nation's primary source for information and statistics on the transit systems of the United States. Recipients or beneficiaries of grants from the Federal Transit Administration (FTA) under the Urbanized Area Formula Program (Sec. 5307) or Other Than Urbanized Area (Rural) Formula Program (Sec. 5311) are required by statute to report to the NTD.
- z. Non-profit Organization: A corporation or association determined by the Secretary of the Treasury to be an organization qualifying under 26 U.S.C. 501(c) as exempt from taxation under 26 U.S.C. 501(a), or which has been determined under State law to be non-profit and for which the designated State agency has received documentation certifying the status of the non-profit organization.
- aa. Operating Expenses: Operating expenses are those costs necessary to operate, maintain, and manage a public transportation system. Operating expenses usually include such costs as driver salaries, fuel, and items having a useful life of less than one year.
- bb. Other than Urbanized (Nonurbanized) Area: Any area outside of an urbanized area. The term "nonurbanized area" includes rural areas and urban areas under 50,000 in population at the time of the last decennial census and not included in an urbanized area.
- cc. Preventive Maintenance: All maintenance costs related to vehicles and non-vehicles. Specifically, it is defined as all the activities, supplies, materials, labor, services, and associated costs required to preserve or extend the functionality and serviceability of the asset in a cost effective manner, up to and including the current state of the art for maintaining such an asset.
- dd. Program of Projects (POP): A program of projects (POP) is a list of projects proposed by a grant recipient to be funded from the urbanized area's Section 5307 apportionment. The POP includes a brief description of the projects, including any suballocation among public transportation providers, total project costs, and Federal share for each project.
- ee. Project Property: Includes equipment, real property, supplies, and rolling stock.
- ff. Public Transportation: Transportation by a conveyance that provides regular and continuing general or special transportation to the public, but does not include school bus, charter, sightseeing, intercity bus transportation or intercity passenger rail transportation provided by AMTRAK. The terms "transit," "mass transportation," and "public transportation" are used interchangeably in transit law.
- gg. Recipient: For purposes of this circular, the term "recipient" means an entity that receives a grant of Urbanized Area Formula program funds directly from FTA. For

purposes of this circular, the word “recipient” is used interchangeably with “direct recipient,” and “grantee.”

- hh. Shared Use: Those instances in which a project partner, separate from the transit agency or grantee, occupies part of a larger facility and pays for its pro rata share of the construction, maintenance, and operation costs. Shared uses are declared at the time of grant award.
- ii. Small Transit Intensive City (STIC): An urbanized area with less than 200,000 in population at the time of the last decennial census that provides public transportation service FTA has determined meets or exceeds the industry average for all UZAs with a population of at least 200,000 but not more than 999,999 in one or more of the following performance criteria: passenger miles traveled per vehicle revenue mile; passenger miles traveled per vehicle revenue hour; vehicle revenue miles per capita; vehicle revenue hours per capita; passenger miles traveled per capita; and passengers per capita. See 49 U.S.C. 5336(j)(1).
- jj. Small Urbanized Areas: As used in the context of FTA formula grant programs, are UZAs with a population of at least 50,000 but less than 200,000.
- kk. Spare Parts: See “Associated Capital Maintenance.”
- ll. Statewide Transportation Improvement Program (STIP): A statewide prioritized listing/program of federally funded transportation projects covering a period of four years that is consistent with the Long-Range Statewide Transportation Plan, Metropolitan Transportation Plans (MTPs), and Transportation Improvement Program (TIP), and required for projects to be eligible for funding under title 23 of the U.S. Code and 49 U.S.C. Chapter 53.
- mm. Transportation Electronic Award and Management (TEAM): FTA’s Web-based application used to apply for, administer, and manage FTA grants. TEAM is FTA’s system of record for grant making and program delivery.
- nn. Transportation Improvement Program (TIP): A prioritized listing/program of transportation projects covering a period of four years that is developed and formally adopted by an MPO as part of the metropolitan transportation planning process, consistent with the MTP, and required for projects to be eligible for funding under title 23 of the U.S. Code and 49 U.S.C. Chapter 53.
- oo. Transportation Management Area (TMA): An urbanized area with a population equal to or greater than 200,000, as defined by the U.S. Census Bureau and designated by the Secretary of Transportation, or any additional area where TMA designation is requested by the Governor and the MPO and designated by the Secretary of Transportation.

- pp. Triennial Review: The process by which FTA is required to review and evaluate completely every three years the performance of a recipient of Urbanized Area Formula Program funds and how it meets statutory and administrative requirements, especially those requirements included in the Annual Certifications and Assurances. In addition to evaluating compliance with Federal law, the review gives FTA an opportunity to provide technical assistance on the latest FTA requirements. Triennial reviews also aid FTA in reporting to the Secretary, Congress, other oversight agencies, and the public transportation community on the Urbanized Area Formula Program.
- qq. Unified Planning Work Program (UPWP): A program of work identifying the planning priorities and activities to be carried out within a Metropolitan Planning Area (MPA) during the next one or two-year period. At a minimum, a UPWP includes a description of the transportation planning work and resulting products, the organization that will be responsible for performing the work, time frames for completing the work, the cost of the work, and the source(s) of funds.
- rr. Uniform System of Accounts (USOA): The USOA is a structure of categories and definitions used for NTD reporting to ensure uniform data. The USOA contains various categories of accounts and records for classifying financial (Chart of Accounts) and operating data.
- ss. Urbanized Area (UZA): A geographic area with a population of 50,000 or more, as designated by the U.S. Census Bureau.
- tt. Useful Life: The expected lifetime of project property, or the acceptable period of use in service. Useful life is used interchangeably with “service life.” **Note:** Land does not depreciate and therefore does not have a useful life.
11. PROGRAM HISTORY. Section 103(a) of the National Mass Transportation Assistance Act of 1974, Pub. L. 93–503, amended former Section 5 of the Federal Transit Act to authorize funding for the “Urban Mass Transit Program,” a formula program for UZAs that provided Federal assistance for both capital and operating projects, with a maintenance of effort requirement on the recipient as a prerequisite for access to operating assistance. The Surface Transportation Assistance Act of 1978, Pub. L. 95–599, continued funding for capital and operating assistance under this program, and amended the maintenance of effort requirement to permit reductions in State and local funding of operating expenses if those reductions were offset by an increase in operating revenues through fare increases without reducing service levels.

The Surface Transportation Assistance Act of 1982, Pub. L. 97–424, amended Section 9 of the Federal Transit Act to establish a new Block Grant Program providing Federal assistance by formula to UZAs for capital and operating projects. Because the Act did not authorize additional funding for the Section 5 Urban Mass Transit Program, the new Block Grant Program essentially superseded, without repealing, the Section 5 Urban Mass Transit Program. Unlike the Urban Mass Transit Program, Block Grant funds used for operating

expenses did not have a maintenance of effort requirement, but there was a limit on the percentage of Block Grant funding that could be used for operations.

The Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA), Pub. L. 100–17, authorized Block Grant Program assistance to designated recipients for capital and operating projects in UZAs. STURAA imposed limits on a grantee’s use of its apportionments for operating expenses based on the 1982 apportionments.

The Intermodal Surface Transportation and Efficiency Act of 1991 (ISTEA), Pub. L. 102–240, retained the STURAA restrictions on use of apportioned funds for operating expenses. However, ISTEA permitted increases in amounts available based in part on the Consumer Price Index, and provided greater increases for all UZAs. ISTEA also designated 1 percent of funds be used for transit enhancements.

In 1994, Pub. L. 103–272 codified Section 9 of the Federal Transit Act, “Block Grants,” at 49 U.S.C. 5307. Upon enactment of the Transportation Equity Act for the 21st Century (TEA–21), Pub. L. 105–178, in 1998, the heading for 49 U.S.C. 5307 was changed to “Urbanized Area Formula Grants.” Under this program, funding was no longer available to support operations in UZAs with a population of 200,000 or more. For UZAs with a population of less than 200,000, there was no limitation on the amount of a recipient’s apportionment that could be used for operating expenses. Subsequent legislation authorized operating expenses in a few limited exceptions for certain UZAs and parts thereof with populations of 200,000 or more. This continues under SAFETEA–LU.

In 2005, the enactment of SAFETEA–LU, Pub. L. 109–59, expanded eligible activities. Capital investments in bus and bus-related projects such as replacement of buses, overhaul of buses, acquisition of crime prevention and security equipment, mobility management, and construction of maintenance and passenger facilities are eligible reimbursable expenses under the Urbanized Area Formula (“Section 5307”) Program. Capital investments in new and existing fixed guideway systems including rolling stock, overhaul and rebuilding of vehicles, track, signals, communications, and computer hardware and software are also eligible reimbursable expenses under the program. The program considers all costs involving preventive maintenance, certain crime prevention activities, security related activities, and some Americans with Disabilities Act (ADA) complementary paratransit service as capital costs.

For UZAs with 200,000 or more in population, FTA apportions funds to a UZA and the funds flow to the designated recipient selected locally to apply for and receive Federal funds. In these UZA, the designated recipient must use at least 1 percent of the funding apportioned to each area for transit enhancement activities such as historic preservation, landscaping and other scenic beautification, public art, pedestrian access, bicycle access, and enhanced access for people with disabilities. In addition, at least 1 percent of the funds must be expended for public transportation security projects, including increased lighting, increased camera surveillance, providing emergency telephone lines to contact law enforcement or security personnel, or any other project intended to increase security and

safety of a public transportation system, unless the designated recipient determines such expenditures for security projects are not necessary.

For UZAs with less than 200,000 in population, FTA apportions the funds to the Governor of each State for allocation. The Secretary of Transportation, upon request by the Governor, can designate areas with less than 200,000 in population as Transportation Management Areas (TMAs) to receive apportionments directly.

Innovation Act (TIFIA), as amended by Section 1601 of SAFETEA-LU (23 U.S.C. 601 *et seq*). TIFIA direct loans or loan guarantees must be repaid with non-Federal, dedicated funds or user fees.

12. DEFERRED LOCAL SHARE. A recipient may request on a case by case basis that the local share for a project be deferred until 100 percent of the Federal funds have been drawn down. A request for the deferral must accompany the grant application. Approval is contingent upon the deferral's resulting in benefits to transit and upon the recipient's demonstrating that the recipient has the financial capacity to complete the project. Local share cannot be deferred indefinitely. When FTA approves the use of deferred local share, the local funds must be available and used to match drawn-down Federal funds at the completion of the project.

Generally, FTA will not approve retroactive deferral of local share. In exceptional circumstances, FTA may approve retroactive deferral of local share, for example in response to a catastrophic event such as a hurricane or flood where sources of local funds are temporarily disrupted.