

Circular 9040: Formula Grants for Rural Areas

Session 1 – Circular and Program Overview

FTA Office of Program Management



U.S. Department of Transportation
Federal Transit Administration

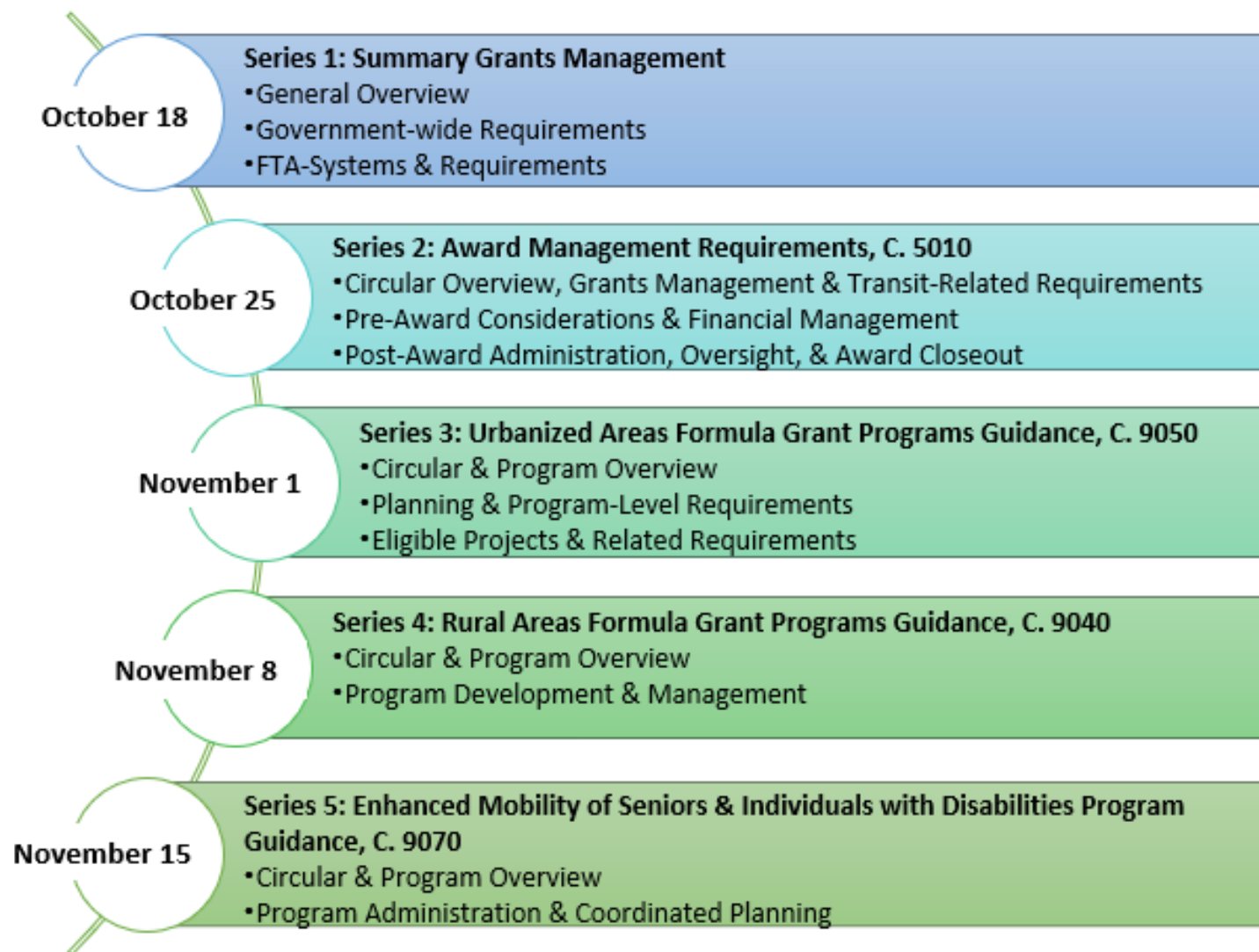


Disclaimer

The contents of this presentation do not have the force and effect of law and are not meant to bind the public in any way. This presentation is intended only to provide clarity to the public regarding existing requirements under the law or agency policies. Recipients and subrecipients should refer to FTA's statutes and regulations for applicable requirements.

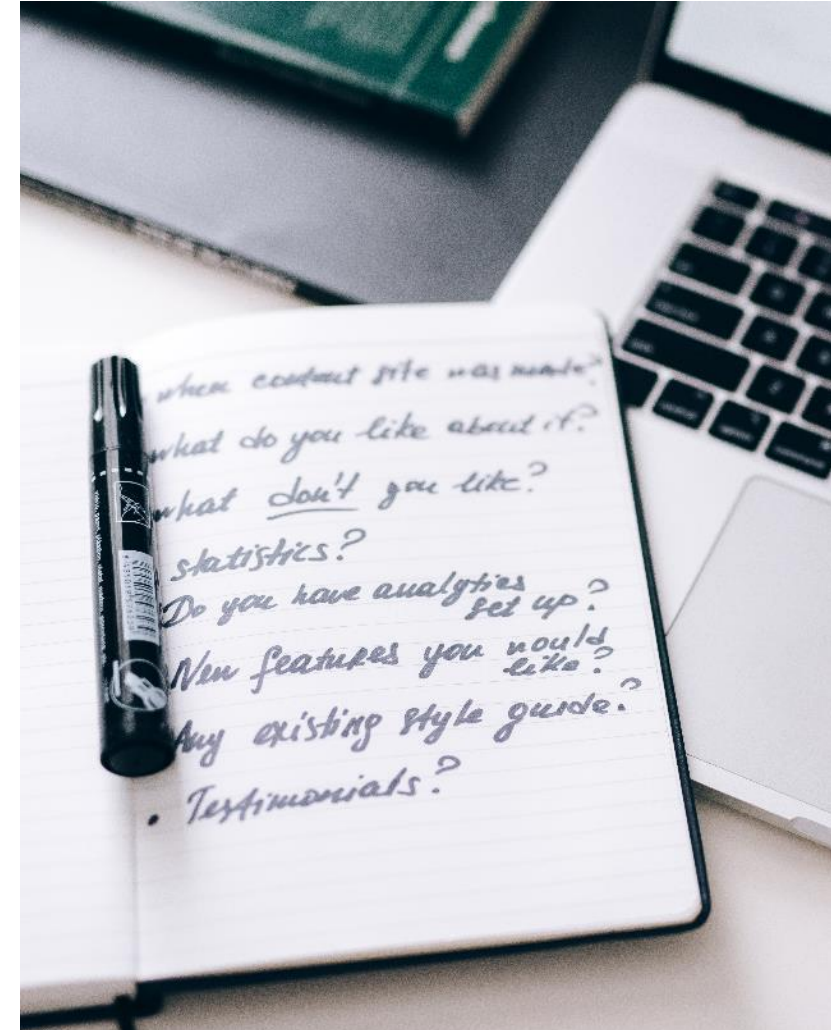
Circular Rollout Video Release Schedule

Each Friday from October 18 through November 15, 2024, FTA will post a series of prerecorded videos addressing summary grants management information and highlight the requirements outlined in each of the revised circulars - 5010, 9050, 9040, and 9070.



The “Route” Ahead

- Welcoming Remarks
- Chapter I – Introduction and Background
- Chapter II – Program Overview
- Chapter III – General Program Information
- Chapter IV – Eligible Projects and Requirements



Slide Key



Pertains to Section 5311 – Rural Formula



Pertains to Section 5339(a) - Bus Program



Update to Circular 9040.1H



Citation in Circular 9040.1H



Link to another FTA resource



Contact FTA regional office



Chapter I – Introduction and Background



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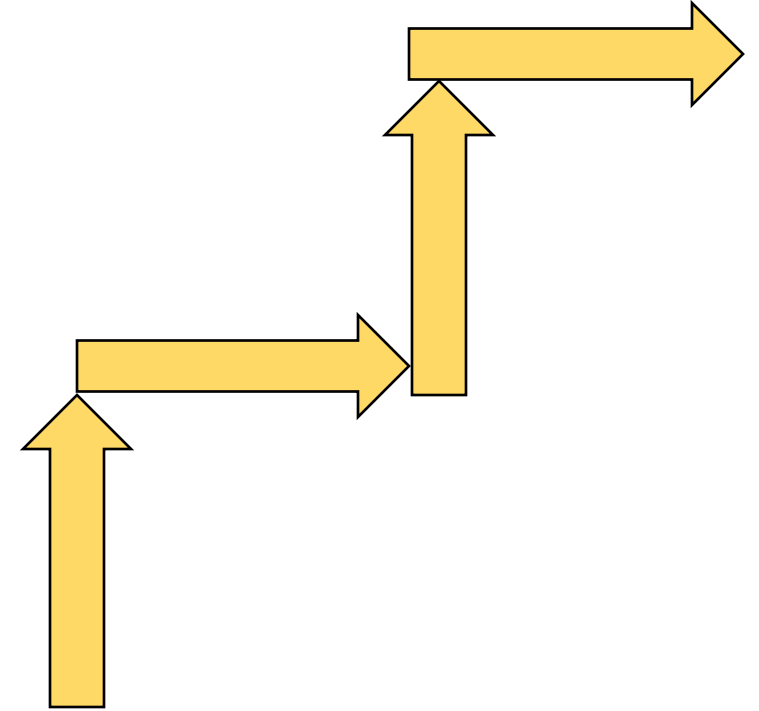
Purpose of Circular 9040.1H

What the Circular <u>Is</u> :	What the Circular <u>Is Not</u> :
Guidance on requirements and procedures applicable and specific to rural area <u>Section 5311 and 5339(a) formula funds</u>	Guidance on requirements and procedures applicable to <u>all</u> FTA financial assistance (Circular 5010.1F)
Tool for users/recipients to understand how requirements <u>may apply</u> to their specific situations or considerations	Case-specific guidance or direction on FTA requirements for each unique situation
Identifies rigidity vs. flexibility of requirements and guides users/recipients in making their own decisions	Topic-specific technical assistance
Explanation of how laws, regulations, or policies active at the time of publication apply to FTA-assisted activities and awards	Substitute for applicable laws, regulations, or policies that are determined outside of the circular's scope

Purpose of Circular 9040.1H



Vs.



Is Lanes, Wayfinding Signs, and Guardrails
for Rural Area Formula Programs

Is Not Specific Directions for
Unique Situations Involving Rural Area
Formula Funds

Circular 9040.1H Relationship to Federal Statutes and Regulations

Order of Precedence

1

Laws and Statutes

2

Code of Federal Regulations

3

FTA Master Agreement

4

FTA Circulars and Other Guidance

5

Award Application Documents

Circular Structure

- Citation for highlighted section:
 - Chapter III.5
- Page numbering resets within each chapter
 - III-10 corresponds to the 10th page of Chapter III



RURAL AREAS FORMULA GRANT PROGRAMS GUIDANCE

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Changes to Circular 9040.1H



General

- Requirements applicable to Buses and Bus Facilities program (Section 5339(a)) included in Circulars 9040 and 9050 and discontinues Circular 5100.
- Reflects changes made by authorizing legislation, Uniform Administrative Requirements (2 CFR 200), among other FTA policies and procedures
- Updated the definition of shared use in this and other circulars to better differentiate between “shared use” and “incidental use”
- Updated the capitalization threshold for equipment to \$10,000, consistent with recent changes to 2 CFR 200
- Location of material rearranged to match Circulars 9050 and 9070



Changes to Circular 9040.1H (cont.)



Chapter III: General Program Information

- A new section discusses the eligibility of rural funds for use in urbanized areas.
- Includes information on the eligibility of taxis and transportation network companies (TNCs) adapted from Circular 9070
- Clarifies that FTA-funded transportation service should be coordinated with other rural transportation services, including intercity bus service.
- Includes information on a State transferring certain funds from FHWA to FTA to use for transportation planning or intercity bus projects (in addition to transit projects, which were already noted as eligible.)
- Includes information that regional development organizations (RDOs) may be eligible subrecipients to local government authorities.



Changes to Circular 9040.1H (cont.)



Chapter IV: Eligible Projects & Requirements

- Includes language that States are **not** required to keep all supporting documentation received from subrecipients on file, but this documentation **must** be maintained by each subrecipient.



Chapter IX: Intercity Bus

- Specifies that recipients of FTA funds may not deny reasonable access for a private intercity or charter transportation operator to federally funded public transportation facilities. FTA also provided guidance for determining when access is reasonable.
- Clarifies several aspects of the Intercity Bus program, including eligibility of new intercity bus facilities, language regarding the difference between a contractor and a subrecipient, ADA requirements for Over-the-Road Buses, and State planning requirements for Intercity Bus



Chapter XI: Public Transportation on Indian Reservations

- Reflects that no local match is required for the Tribal Transit Competitive Program, consistent with a recent Tribal consultation

Reference: Definitions

- Applicant - An entity that is seeking, but has not yet been awarded, specific Federal financial assistance directly from FTA in the form of a grant or cooperative agreement.
- Award, Grant, or Grant Agreement - A legal instrument of financial assistance between a Federal awarding agency and a non-Federal entity that is used to enter into a relationship the principal purpose of which is to transfer anything of value to carry out a public purpose authorized by a law of the United States
- Federally Recognized Indian Tribe - The governing body or a governmental agency of any federally recognized Indian Tribe or Alaska Native village, group, or community as identified by the U.S. Department of the Interior (DOI) Bureau of Indian Affairs (BIA). This list can be found on the [BIA website](#).
- Metropolitan Planning Organization (MPO) - The policy board of an organization designated by agreement between the governor and local government 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



Reference: Definitions (cont.)

- Public Transportation - Public Transportation means regular, continuing shared-ride surface transportation services that are open to the general public or open to a segment of the general public defined by age, disability, or low income.
- Recipient - An entity that is awarded funds directly from FTA to carry out an activity under a Federal program to support a specific project
- Rural Area - Any area that has **not** been designated in the most recent decennial census as an “urban area” with at least 50,000 people
- Subrecipient - An entity that receives a subaward from a pass-through entity (recipient) to carry out part of a Federal Award but does not include an individual that is a beneficiary of such Award.
- Transit Award Management System (TrAMS) - A web-based electronic award management system used to apply for, administer, and manage FTA Awards.

Reference: Definitions (cont.)

- Urbanized Area (UZA) - An area encompassing a population of not less than 50,000 people that has been defined and designated in the most recent decennial census as an “urban area”
- Useful Life - The minimum acceptable period a capital asset purchased with FTA funds should be used in service. The minimum useful life for rolling stock is calculated based on the date the vehicle is placed in revenue service.

Reference: Acronyms

- **CFR** - Code of Federal Regulations
- **DOT** – Department of Transportation
- **FY** – Fiscal Year
- **MPO** - Metropolitan Planning Organization
- **NOFO** - Notice of Funding Opportunity
- **NTD** - National Transit Database
- **POP** – Program of Projects
- **PTASP** - Public Transportation Agency Safety Plan
- **SMP** - State Management Plan
- **STIP** - Statewide Transportation Improvement Program
- **TAM** - Transit Asset Management
- **TrAMS** - Transit Award Management System
- **TTP** - Tribal Transit Program
- **USC** - United States Code
- **UZA** – Urbanized Area

Chapter II – Program Overview

Program Goals



- **Section 5311 (Formula Grants for Rural Areas)** - The Section 5311 program enhances access in rural areas to health care, shopping, education, employment, public services, and recreation. FTA apportions or awards funds to States and Indian Tribes located in rural areas for planning, public transportation capital projects, operating costs, job access reverse commute projects, and the acquisition of public transportation service.



- **Section 5339(a) (Grants for Buses and Bus Facilities Formula Program)** - FTA apportions funds under Section 5339(a) to States for small UZAs and rural areas for the purpose of financing capital bus and bus-related projects that will support the continuation and expansion of public transportation services in related areas of the United States.

State Role in Program Administration

FTA gives the States maximum discretion in designing and managing the Section 5311 and Section 5339(a) programs to meet their rural public transportation needs.

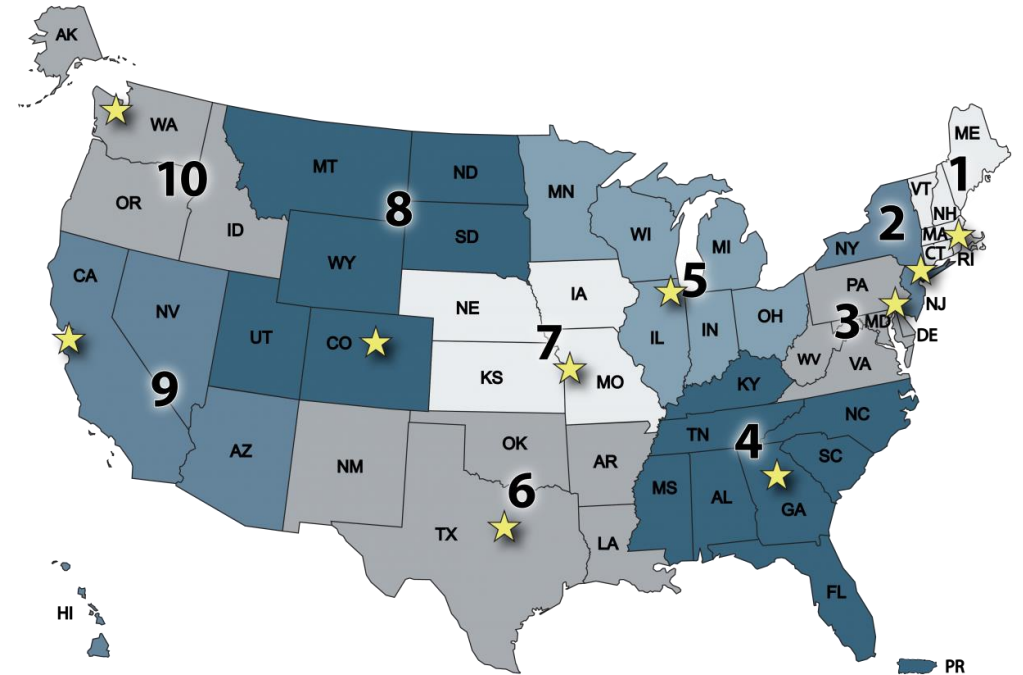
- States must document their procedures for carrying out the program in a State Management Plan (SMP)
- A State agency may carry out a project directly under these programs. The State must exercise adequate oversight to ensure that only eligible activities receive Federal assistance and that subrecipients meet Federal requirements.
- States must provide appropriate technical assistance for rural areas
- States must ensure that there is fair and equitable distribution of program funds within the State, including funds to Indian Tribes
- States must ensure an accurate and complete list of projects are included in the Statewide Transportation Improvement Program (STIP)



More information on the role of the State Agency can be found in **Chapter II.4.a**

FTA Role in Program Administration

- FTA Headquarters serves a broad, program level role in the administration of the program
- FTA Regional Offices have the day-to-day responsibility for administration of the program
- FTA Oversight:
 - Recipients may be subject to a triennial, State management, or other regularly scheduled comprehensive review to evaluate their performance.
 - State Management Reviews (SMRs) examine the State's management procedures.
 - SMRs are conducted in accordance with the latest CORTAP manual ([FY 24 Manual](#)).



Chapter III – General Program Information



U.S. Department of Transportation
Federal Transit Administration





Eligible Recipients and Subrecipients (Section 5311)

- Section 5311 recipients include: States and Indian Tribes that receive an FTA Award directly from the Federal government.
- Section 5311 subrecipients include:
 - States and local governmental authorities,
 - nonprofit organizations, and
 - operators of public transportation or intercity bus service that receive FTA grant funds indirectly through a recipient.
- Recipients and subrecipients of Section 5311 funds must serve rural areas, defined as any area outside of an urbanized area (UZA), as defined in this circular, with a population of less than 50,000.



A federally recognized Indian Tribe is an eligible direct recipient. This option is available to Tribes in recognition of their status as sovereign nations. More information on this process can be found in **Chapter III.1.a.3.**





Eligible Recipients and Subrecipients (Section 5339(a))

- Section 5339(a) recipients include: designated recipients that allocate funds to fixed route bus operators, and States and local governmental authorities that operate fixed route service.
- Section 5339(a) subrecipients include local governmental authorities and private nonprofit organizations engaged in public transportation.



Incidental Use vs Shared Use



Incidental Use

The limited non-transit use of project property that does not conflict with the original authorized purpose of the project property or the recipient's ability to maintain satisfactory continuing control.



Shared Use

Instances in which an entity separate from the recipient occupies part of a facility or shares the use of equipment (including rolling stock) and pays for its *pro rata* share of the construction, maintenance, and operations costs. Shared uses should be declared at the time of grant award to ensure the proper allocation and eligibility of costs in the grant.



Incidental Use vs Shared Use (cont.)

- The purpose of Section 5311 and Section 5339(a) assistance is the provision of public transportation services.
 - FTA encourages maximum feasible coordination with other rural transportation services, including intercity bus service.
- A rural transit provider may use a Section 5311 or Section 5339(a) vehicle for non-passenger transportation on an occasional or regular basis, such as package delivery or the provision of closed-door service to a human services agency, if the incidental use does not result in a reduction of service quality or availability of public transportation.
- Section 5311 (or Section 5310) funded services may coordinate and assist in providing meal delivery service for homebound people on a regular basis, if the meal delivery service does not conflict with the provision of transit service. FTA expects that a nutrition program will pay the operating costs of the meal delivery.



More information on incidental use can be found in **Chapter III.1.c.**

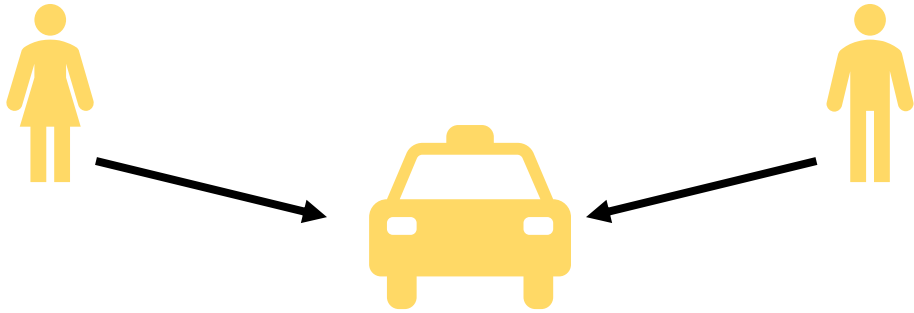
Taxis/TNCs

- Private taxi companies and transportation network companies (TNC) that provide shared-ride on-demand service to the general public on a regular basis are operators of public transportation and eligible subrecipients.
- “Shared-ride” means two or more passengers in the same vehicle who are otherwise not traveling together.
- Local statutes and regulations generally determine whether a taxi company or TNC provides shared-ride or exclusive-ride service.
- The primary Federal award recipient should request documentation from the taxi company or TNC to ensure the company is providing shared-ride service **prior to** award in order to determine whether the company qualifies as a subrecipient.
- **As subrecipients, private taxi operators and TNCs are subject to all the same Federal requirements as the public entity making the subgrant.**



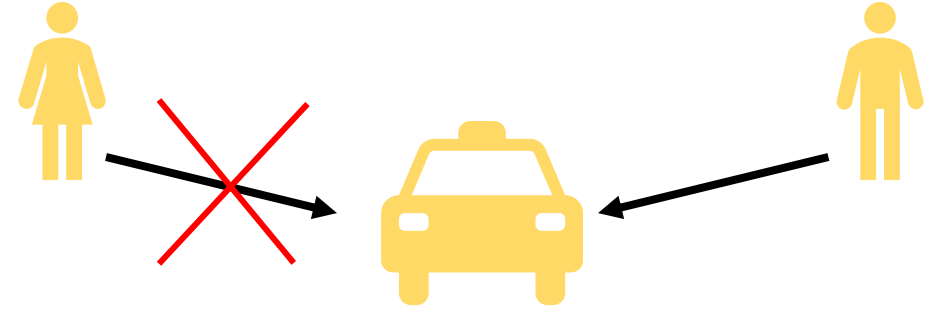
Shared Ride vs. Exclusive Ride

Shared Ride



- Open to accommodating 2 or more passengers who are not otherwise traveling together in vehicle at same time on a regular basis during period of funded service.
- May not be reserved for exclusive use by individuals or private groups and must not require consent from passengers to accommodate additional passengers.

Exclusive Ride



- Restricted to being open to only one passenger in vehicle at a time during period of funded service.
- Reserved for exclusive use by individuals or private groups or requires consent from passengers to accommodate additional passengers.

Apportionment and Availability of Program Funds



- **Section 5311** funds remain available to the States for obligation for three Federal fiscal years, beginning with the year of apportionment plus two additional years. For example, funds apportioned to a State in **FY 2025** are available until September 30, **2027**.



- **Section 5339(a)** funds remain available to the States for obligation for four Federal fiscal years, beginning with the year of apportionment plus three additional years. For example, funds apportioned to a State in **FY 2025** are available until September 30, **2028**.



Transfers - Funds may be transferred to certain other programs to balance State transit and highway needs or to streamline grant administration. More information on transfer of apportionments can be found in **Chapter III.3.d**.



Eligibility of Use of Funds in a UZA



Section 5311 funds for use rural areas may be used in a UZA; depends on the type and location of the activity to be funded as follows:

- **Operating Assistance** - A public transportation provider that receives only Section 5311 funds may use those funds for a geographically continuous public transportation service that primarily serves a rural area but has a limited number of route stop(s) within a UZA and is designed primarily to bring rural passengers to and from the UZA.
- **Capital Activities** – With some exceptions, Section 5311 funds may only be used in a rural area
- **NTD Reporting** - A recipient's service data for public transportation services that engage both a UZA and a rural area should be allocated to the respective UZA or rural areas in accordance with the NTD Policy Manual



There are no UZA vs. non-UZA stipulations on the use of Section 5339(a) National Distribution funds. These funds may be used for eligible expenses in any part of a State to which the funds are allocated.



More information can be found in **Chapter III.4**

Chapter IV – Eligible Projects and Requirements



U.S. Department of Transportation
Federal Transit Administration



Eligible Projects | Operating Assistance

Operating expenses are those costs directly related to system operations.



Section 5311

- At a minimum, States must consider the following items as operating expenses:
 - fuel,
 - drivers' salaries and fringe benefits,
 - dispatcher salaries and fringe benefits, and
 - licenses.
- **Federal share:** With some exceptions, the Federal share of Section 5311 funding shall not exceed 50 percent of the net operating cost of the project.
 - Exceptions to Federal share amounts can be found in **Chapter III.5.b**



Section 5339(a)

Operating expenses are not eligible under Section 5339(a).

Eligible Projects | Capital Projects

Capital expenses are those costs related to the purchase of capital equipment and financing capital projects.



Section 5311

Eligible capital project expenses involve purchasing, leasing, constructing, maintaining, or repairing facilities, rolling stock, and equipment for use in a public transportation system



Section 5339(a)

Capital expenses must be related to buses or bus facilities only. Funds are available to replace, rehabilitate, purchase, and lease buses and related equipment and to construct, rehabilitate, purchase, or lease bus-related facilities

- **Federal share:** With some exceptions, the Federal share for capital projects that receive funding under the Section 5311 and Section 5339(a) programs may not exceed **80 percent** of the net project cost.
- Eligible capital expenses are listed in **Chapter IV.3.b**



Eligible Projects | Planning Projects



Section 5311

- **Eligible planning activities include the following:**
 - Studies related to management, planning, operations, capital requirements, and economic feasibility.
 - Evaluating previously financed projects.
 - Peer reviews and exchanges of technical data, information, assistance, and related activities in support of planning and environmental analyses among metropolitan planning organizations and other transportation planners.
- **Federal share:** With some exceptions, the Federal share for planning projects under the Section 5311 program may not exceed **80 percent** of the net project cost.



Section 5339(a)

Planning is not eligible. However, expenses associated with environmental compliance, engineering, and design that are incidental to project delivery are eligible.

Eligible Projects | Other Projects

Employee Training



Section 5311

Training is an eligible expense.



Section 5339(a)

- Up to 0.5 percent of recipients' Section 5339(a) funds each fiscal year are available to be expended on programs that address human resource needs, as they apply to public transportation activities.
- Up to an additional 0.5 percent of a recipient's Section 5339(a) funds in each fiscal year may be expended on employee training at the National Transit Institute (NTI).

- **Federal share:** The Federal share for training under the Section 5311 and Section 5339(a) programs may not exceed **80 percent**.

Eligible Projects | Other Projects

Capital Cost of Contracting



Section 5311 and Section 5339(a)



- Some FTA recipients turn to one or more outside third-party sources to obtain public transportation service, maintenance service, or vehicles that the recipient will use in public transportation service.
- When recipients contract for such service, FTA will provide assistance under the Section 5311 and 5339(a) programs with the capital consumed over the course of the contract.
- Contract expenses eligible for reimbursement under Section 5339(a) are limited to amounts attributable to leasing and/or depreciation of vehicles, equipment, and facilities.



More information on Capital Cost of Contracting can be found in **Chapter IV.3.t**

Eligible Projects | Other Projects (Section 5311)

State Administration



Section 5311

- The State may use not more than 10 percent of its apportioned Section 5311 funds to administer the Section 5311 program, related planning, and to provide technical assistance to subrecipients.
 - Allowable administrative costs include salaries, overhead expenses, supplies, and office equipment used to administer the program.
 - Allowable technical assistance costs may include program planning, program development, and such research as the State may deem appropriate to promote effective means of delivering public transportation service in rural areas.
 - **Federal share:** May be funded at a Federal share of **100 percent**. **No local share is required** for these expenses.

Eligible Projects | Other Projects (Section 5311)

Project Administrative Expenses



Section 5311

- The State may treat project administrative expenses incurred by a local provider as a separate cost category from capital, planning, or operating expenses. This allows the State to consider administrative expenses as “nonoperating” expenses.
- Eligible project administrative costs may include, but are not limited to:
 - marketing expenses;
 - insurance premiums or payments;
 - office supplies;
 - facilities and equipment rental; and
 - the costs of administering drug and alcohol testing.
- **Federal share:** With some exceptions, FTA may fund nonoperating expenses up to **80 percent** Federal share.

Eligible Projects | Other Projects (Section 5311)

Job Access and Reverse Commute Projects



Section 5311

- This eligible project category for Section 5311 includes all types of projects that were formerly eligible under the Section 5316, Job Access and Reverse Commute Program, prior to its repeal by MAP-21.
- Federal share percentage in rural areas matches other Section 5311 projects.
- There is no requirement or limit to the amount of Section 5311 funds that can be used for these projects.



Examples of eligible projects are listed in **Chapter IV.7.**

Local Share | Sources (Section 5311)



Section 5311

- Cash from non-Government sources;
- Revenues from the sale of advertising and concessions;
- May be provided from a service agreement with a State or local social service agency or a private social service organization



- Other examples listed in **Chapter III.5.e, .h and .i**



Local Share | Sliding Scale (Section 5311)



Sliding scale rates for Section 5311 capital and operating grants are available for some States. These rates are listed in Table III-1 and Table III-2 in Circular 9040.1H.

TABLE III-1: SLIDING SCALE RATES FOR FTA SECTION 5311 GRANTS (23 U.S.C. 120(B)(1))

(Numbers represent the maximum Federal share as a percentage of net project cost.)

State	Sliding Scale Rate for Transit Capital Grants	Sliding Scale Rate for Transit Operating Grants	State	Sliding Scale Rate for Transit Capital Grants	Sliding Scale Rate for Transit Operating Grants
Alaska	90.97	56.86	Nevada	94.89	59.31
Arizona	90.49	56.55	New Mexico	85.44	53.40
California	83.57	52.23	Oregon	84.63	52.90
Colorado	82.79	51.75	South Dakota	81.95	51.22
Hawaii	81.30	50.81	Utah	89.52	55.95
Idaho	84.97	53.11	Washington	81.42	50.89
Montana	82.75	51.72	Wyoming	86.77	54.23



Local Share | Sources (Section 5339)



Section 5339(a)

- Cash from non-Government sources other than revenues from providing public transportation services;
- Revenues derived from the sale of advertising and concessions;
- Amounts received under a service agreement with a State or local social service agency or private social service organization; or
- Revenues generated from value capture financing mechanisms.
- Other examples are listed in **Chapter III.5.f, .h and .i**



Next Steps

Additional Trainings: GovDelivery notices will be distributed through FTA email

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Resources

Learn More:

- [Award Management Requirements \(5010\) Circular](#)
- [Urbanized Areas Formula Grant Programs Guidance \(9050\) Circular](#)
- [Rural Areas Formula Grant Programs Guidance \(9040\) Circular](#)
- [Enhanced Mobility of Seniors and Individuals With Disabilities Program Guidance \(9070\) Circular](#)

FTA Mission, Vision, Values



Mission

Improve America's Communities
through Public Transportation



Vision

A Better Quality of Life for All Built
on Public Transportation Excellence

Values

<i>Service</i>	Provide reliable, transparent, responsive, and anticipatory services to meet stakeholder needs
<i>Integrity</i>	Commitment to the highest professional and ethical standards
<i>Innovation</i>	Foster new ideas, concepts, and solutions for improved outcomes
<i>Sustainability</i>	Optimize decisions, resources, and systems to make long-term positive impacts on the environment, infrastructure, and safety
<i>Equity</i>	Remove barriers for systemically underserved communities to access all aspects of economic, social, and civic life

Thank you!

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