Report

How States can Flex Federal Funding from Highways to Green Transit

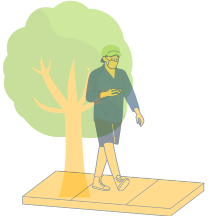
By Blake Gardiner, Saul Levin, Mikalah Maxwell, Priya Mulgaonkar, & Giancarlo Valdetaro

For more info, contact: gvaldetaro@greennewdealnetwork.org
or visit www.greennewdealnetwork.org

State Departments of Transportation are receiving hundreds of millions of dollars from President Biden's Infrastructure Investment and Jobs Act (IIJA), which provides increased funding through Sept. 30 2026. So far, states have chosen to spend these funds in a way that is set to increase emissions, despite the transportation sector already being responsible for nearly one-third of total US greenhouse gas emissions.

But State governments have an opportunity to intervene and shift funds away from highways and toward green and equitable transportation planning.

There are billions of dollars available for transit improvements. States can flex these funds away from polluting highway projects

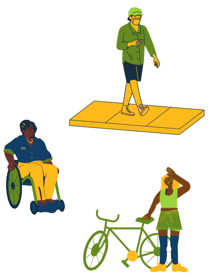


- **Biden's Infrastructure Investment and Jobs Act (IIJA) invests over $430 Billion through FY 26 for traditional highway programs**, compared to just over $100 Billion each for passenger rail and transit.
- **Over $270 Billion of this highway funding goes to states through core formula programs.** Formula funds are allocated in lump sum, based on inequitable formulas, to states and metropolitan planning organizations.
- **Although these core formula programs are traditionally used for highways, they're much more versatile.** Nearly all of them are able to be used for transit capital projects. To better administer these projects, states can "flex" these funds to be overseen by the Federal Transit Administration instead of the Federal Highway Administration.
- **States can transfer up to 50% of their apportioned funding between any of these programs to better meet their transit project needs.**
- **Unfortunately, few states exercise the power to flex funding;** in fact, states "flexed" less than 4% of their federal highway funds for transit projects between 2013 and 2020.

Take Action: Demand State DOTs Flex Funding for Green Transit!

- **Pressure State DOTs to use increased federal funds for green and equitable transit!**
- **Push for progressive legislation that commits to expanding climate-smart transit and pedestrian infrastructure and connect it to flexed funds.**

Flex Funds can be used to enhance transit and accessibility



This includes any pedestrian improvement within half a mile of a transit station or stop and Any bicycle improvement within three miles of a transit station or stop improves access to transit. However, projects beyond these ranges can still be funded if a project sponsor can demonstrate the improvement is within the distance that people will travel by foot or bicycle to a transit stop or station.

Projects relating to safety and transit are often also able to receive flex funding. Such projects may include small-scale improvements like ADA-compliant curb cuts and street furnishings like benches; or larger-scale infrastructure projects such as pedestrian and bicycle overpasses and off-road trails.

Up to 50% of FHA funds can be flexed across the following programs:

Program	Amount	Qualifying Projects
National Highway Performance Program (NHPP)	$148 B	Can be used to fund transit capital projects that are in corridors of a fully access-controlled highway, so long as the transit projects are determined to be more cost-effective than a highway improvement.
Surface Transportation Block Grant Program (STBG)	$72 B	The STBG program has the broadest eligibility criteria. Funds can be used on any federal-aid highway, on bridge projects on any public road, on transit capital projects, on routes for non-motorized transportation, and on bridge and tunnel inspection and inspector training.
Highway Safety Improvement Program (HSIP)	$15.56 B	HSIP Projects improve the safety of road infrastructure by fixing hazardous roads.
Congestion Mitigation & Air Quality Improvement Program (CMAQ)	$13.2 B	CMAQ seeks to fund projects and programs that reduce emissions of transportation-related pollutants.
Promoting Resilient Operations for Transformative, Efficient, and Cost-Saving Transportation (PROTECT) - Formula	$7.3 B	PROTECT funds are directed at projects that ensure surface transportation resilience to climatic and natural hazards.
National Highway Freight Program	$7.15	The NHFP program funds focus on greater efficiency in the movement of goods.
Carbon Reduction Program (CRP)	$6.42 B	CRP funds for projects designed to reduce transportation emissions, defined as carbon dioxide (CO2) emissions from on-road highway sources.

Source: U.S. Department of Transportation, Bipartisan Infrastructure Law Grant Programs, https://www.transportation.gov/bipartisan-infrastructure-law/bipartisan-infrastructure-law-grant-programs
Note: Amounts column refers to total funding available for 5 years through IIJA.

How States can Flex Federal Funding from Highways to Green Transit

Each state receives different amounts of funding

Green New Deal Network has fact sheets for several states to outline how much IIJA funding is available for transportation. The FHWA releases bulletins of how much money every state will receive each fiscal year.

Find your state's fact sheet!

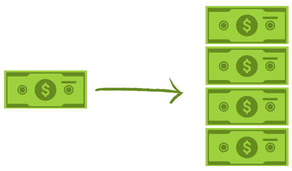
Why we need Green New Deal for Transportation

Public transit is a key tool in the fight against climate change. Affordable, electrified public transit is the most important step for reducing greenhouse gas emissions and other harmful co-pollutants that drive the climate crisis, health impacts and environmental degradation.

Mass transit systems are more energy-efficient – even as we electrify transportation, mass transit will be essential to reduce energy use and associated emissions and strain on the grid.

Efficient public transportation can reduce the need for expansive road networks, preserving green spaces and reducing urban sprawl.

Investments in transit are investments in equity. Low-income people rely on public transit more than wealthier individuals — but lower-income communities are not adequately served, especially in rural communities. When integrated with pedestrian infrastructure, transit systems can increase accessibility and reduce reliance on cars for first and last mile transportation. Reduced emissions from public transit improves local air quality, benefiting the health of environmental justice communities.



Investing in transit will create good jobs. One analysis estimates that every $1 invested in public transit generates $4 in economic benefits. As more people use public transit, it can lead to a virtuous cycle of investment and creation of good jobs.

Improving public transit is popular, with more than 60% of Americans in support.

FAQ on Flexing Transportation Funds

Q: How do these formula funds reach the state level, and who decides if they're used for highways or transit?

A: Federal formula transportation funds, including those from BIL/ IIJA, are distributed to each state's Department of Transportation (DOT). State DOTs then keep some of this money for their own projects and distribute the rest to Metropolitan Planning Organizations (MPOs), transit agencies, and other entities within the state.

How state DOTs spend and distribute these funds is determined by their State Transportation Improvement Program (STIP). This is a list of the projects a state plans to work on over the next four years and how the state plans to pay for them. It includes projects from the state DOT itself, projects that MPOs identify in their own Transportation Improvement Programs (TIPs), transit agencies and other organizations. It is approved at least every four years, but is often more frequently amended and updated.

Q: What is step one for flexing funding to transit?

A: Shifting federal dollars from highways to transit begins with the State Transportation Improvement Program (STIP). The first step is to ensure that transit projects are in the STIP. In the STIP, state DOTs explain how each project will be paid for, this is where a state DOT could show that they're planning to transfer funds to complete a transit project.

Once a project is included in the STIP and the state DOT has received its formula funds, the state DOT can request to flex this funding from FHWA to FTA authority. To begin the flexing process, the state DOT makes a written request to the Federal Highway Administration (FHWA). Once approved by the FHWA, a regional FHWA office completes the transfer of funds. DOT has a helpful flowchart explaining how to flex funding.

Q: How can states pass strong legislation to support flexing transit funds?

A: Non-profit organizations, politicians, and citizens can all press their transit agencies, MPOs, and state DOTs to plan for these transit projects with the ability to shift funds from highways to transit. According to Transit Center, most states will flex funds from FHWA to FTA administration if they're using those highway dollars to build transit. This means that the primary sticking point is getting transit projects into TIPs and STIPs in the first place. In the short term, this looks like fighting individual road expansion projects to be canceled and have their funds shifted to transit projects. In the long term, this looks like pushing decision makers to think of these as transit funds in the first place. Their default shouldn't be discretionary grants that have long application processes and no guarantee of success, but these formula grants that are guaranteed and provide billions of dollars.

Further, state governments can require a state DOT to make funding changes to support climate or equity goals. For example, both Colorado's and Minnesota's state legislatures passed legislation requiring their DOTs to measure the greenhouse gas emissions impact of planned projects, offset them if they can, and no longer pursue the project if they can't. This is already credited with canceling two highway projects in Colorado, the funds for which will now go to transit improvements. This is just one example of how using these funds for transit capital projects can free up space for transit operating funds.

Q: What types of projects can funds be flexed from FHWA to FTA?

A: Full-scale transit capital projects can be funded. So long as it meets the federal definition and the requirement of the individual program the funds are coming from (see our Appendix for a table outlining the specific formula fund program and eligible projects) these funds can be used to build or renovate it, from new stations to entirely new metro lines. The only limits are the program restrictions and political will to build transit.

But states and MPOs can also transfer funds between these programs to fit the transit projects they want to build. California, for instance, could transfer 50% of STBG, CMAQ, and CRP funds into the state's pot of NHPP money in order to pay for work on the Sepulveda Transit Corridor Project, which is in the same corridor as the 405, an interstate highway. Or California could transfer 50% of its NHPP funds into the state's pot of STBG money in order to spend those funds on any transit capital project it chooses, such as the K Line Northern Extension Project, Link21, or even the Sepulveda Transit Corridor Project. The important thing is to be strategic and treat these dollars as readily available for transit — because they are.