



## INFORMATIONAL MEMO

To: City Council  
From: Shane Davis, Deputy Director Public Works  
Date: May 28, 2024  
Subject: Federal Funding: Transportation

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Federal funding for transportation projects is distributed by the U.S. Department of Transportation. The federal funds are distributed across the country directly to applicants by the agency or to state transportation agencies. In the case of the Farmers Branch advanced funding agreements, the Texas Department of Transportation (TXDOT) will be involved as they are the state agency that receives the federal funds and determines their distribution across the state.

There are different types of grants available based on federal priorities. Two types of funding the City has applied for are Congestion Mitigation and Air Quality (CMAQ) Improvement funds and Surface Transportation Block grants (STBG). CMAQ funds are for transportation projects designed to reduce traffic congestion and improve air quality, particularly in areas such as Dallas County, which has not attained national air quality standards. Therefore, the funding source is for projects encouraging alternatives to driving alone and improving traffic flow. The Surface Transportation Block Grant program (STBG) provides flexible funding that may be used by States and localities for projects to preserve and improve the conditions and performance on any Federal-aid highway, bridge and tunnel projects on any public road, pedestrian and bicycle infrastructure, and transit capital projects, including intercity bus terminals.

In the Dallas-Ft. Worth area, the North Central Texas Council of Governments (NCTCOG) is the agency that coordinates the transportation, grant funding opportunities. Cities within the region apply for projects when the agency issues calls for projects. The timeline between application and funding availability is typically years. For applicants that are awarded grants, they must agree to the terms of an Advanced Funding Agreement (AFA) between the applicant and the state agency, in this case TXDOT). An AFA outlines the funding amount and type to be awarded, the project-related functions TXDOT and the City will perform, and the amount the City will spend to cover cost for either/both the federal and state agencies involved. Before TXDOT reviews any plans or provides any of the required project administration, the City must approve and execute the AFA between the City and TXDOT, establishing the funding amounts and project-related requirements and functions of both parties.

For grants, the funding agency provides a portion of the design or construction cost, depending on the details of the call for projects, and the applicant pays the remainder. To obtain the funds, the

applicant provides a description of the project and an estimated project cost at the time of the application. The applicant also submits the method of payment to be used for their portion of the cost. The federal agency typically provides 80% of the design or construction costs, while the applicant pays 20%. However, applicants can also use Transportation Development Credits (TDCs) for their match.

NCTCOG developed the Metropolitan Transportation Plan for the region, and a part of this plan is the Policy Bundle. The Metropolitan Transportation Plan is a blueprint that guides the spending of federal and state transportation funds in the Dallas-Fort Worth region for the next 20 years and beyond. The plan recommends projects, programs, and policies that aim to improve the quality of life for all residents in the region as part of an ongoing and collaborative planning effort. The Policy Bundle is a series of policies that can be implemented by local entities to achieve objectives that aim to improve our regional transportation system. It is certified if a city can demonstrate that it has implemented at least 50% of the policies with the MTP Policy Bundle. The more policies the city adopts or meets, the more TDC they can use up to the program maximum.

TDC is a financial accounting tool approved by the Federal Highway Administration that allows states to use federal funding without requiring a cash match. These credits are non-cash credits allocated to states (who divide them among regions) as a representative value to account for toll roads and managed lanes that benefit the federal system. TDCs are not real dollars. They serve as a substitute for the required cash match to federal funds that are programmed on a project. For a city to use TDCs, they must be certified. For the Farmers Branch, the City applied to the NCTCOG to be certified.