

## **BILL ANALYSIS**

H.B. 4180  
By: Guillen  
Transportation  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Primary funding for rural and small urban transit agencies comes primarily from state funds, federal matching funds, and increasingly from local, nontraditional funding sources. While state funding has remained flat over the last decade, federal matching funds have increased, and local jurisdictions have struggled to provide local funding with which transit agencies can access federal matching funds.

H.B. 3588, 78th Legislature, Regular Session, 2003 provided that transit funding for rural and small urban agencies was effectively capped by limits imposed by the Texas Department of Transportation (TxDOT). The cap funding is disbursed through a formula based on needs and performance of local agencies. Currently, federal or state funding above the basic formula cap is distributed through a discretionary fund with some grants being pro-rata, some competitive, and others by a combination of factors.

Currently, approximately 20 to 25 percent of all federal funds available to rural transit agencies are not allocated through a balanced formula, but rather through the agency's discretionary grants which often fail to meet the greatest needs of local transit agencies.

Because of increased operational costs and the increase in the number of funded rural and small urban transit agencies over the last decade, the artificial cap on formula funding by TxDOT has resulted in the loss of funds to rural and small urban transit agencies. Additionally, the artificial cap has failed to meet basic operational needs. Beginning in 2004, 50 percent of the small urban transit agencies have been losing state funding each year, and 50 percent of the rural transit agencies have lost both state and federal funding each year. The current TxDOT funding method has created an artificial cap on formula funding detrimental to the small urban and rural transit agencies.

H.B. 4180 prohibits future increases in state funding from being distributed through an agency's discretionary grants rather than through formula grants. The bill limits the amount of public transportation funds that are allocated to the Texas Transportation Commission for distribution through its discretionary program to no more than 10 percent of available federal and state funds. The other 90 percent of available state and federal funds would be distributed to the small urban and rural transit agencies under the existing TxDOT public transportation funding formula.

H.B. 4180 returns the 90/10 percent split to the public transportation funding that was in place prior to passage of H.B. 3588 in 2003. The bill restores the certainty and balance inherent in formula funding while reserving 10 percent of total funding to the agency for small urban and rural discretionary grant programs.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Transportation Commission in SECTION 1 of this bill.

## **ANALYSIS**

H.B. 4180 amends the Transportation Code to require The Texas Transportation Commission to adopt rules to allocate funds to designated recipients under provisions relating to state financing of public transportation. The bill prohibits the commission from distributing less than 90 percent of the total amount allocated under the formula program provided by the law and more than 10 percent of the total amount allocated under the discretionary program. The bill requires the rules established by the commission to include a provision ensuring that no recipient of state funding for public transportation receives an amount of funding allocated that is less than the total amount of state funding in the state fiscal year beginning September 1, 2004.

## **EFFECTIVE DATE**

September 1, 2009.