

TFLEx Guide for Transit Newbies

Module 6

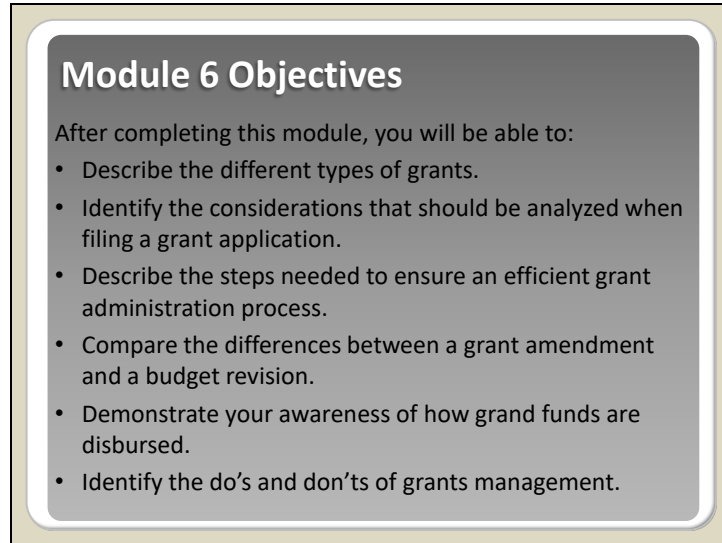
Grants Management



Welcome to the Grants Management module. This module addresses the importance of grants and grant money to all transit agencies, as well as how to manage those grants.

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A graphic with a grey background and a white border, containing the title 'Module 6 Objectives' and a list of seven objectives.

Module 6 Objectives

After completing this module, you will be able to:

- Describe the different types of grants.
- Identify the considerations that should be analyzed when filing a grant application.
- Describe the steps needed to ensure an efficient grant administration process.
- Compare the differences between a grant amendment and a budget revision.
- Demonstrate your awareness of how grand funds are disbursed.
- Identify the do's and don'ts of grants management.

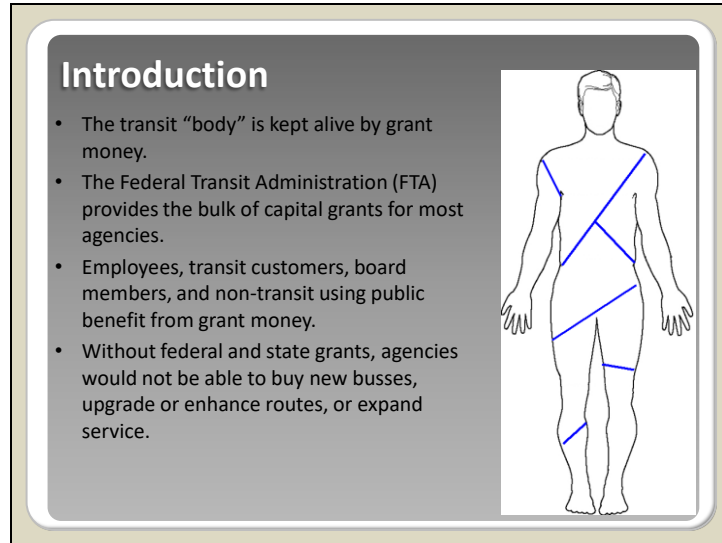
This module provides you with a basic understanding of grant management. After completing this module, you will be able to:

- Describe the different types of grants,
- Identify the considerations that should be analyzed when filing a grant application,
- Describe the steps needed to ensure an efficient grant administration process,
- Compare the differences between a grant amendment and a budget revision,
- Demonstrate your awareness of how grand funds are disbursed, and
- Identify the do's and don'ts of grants management.

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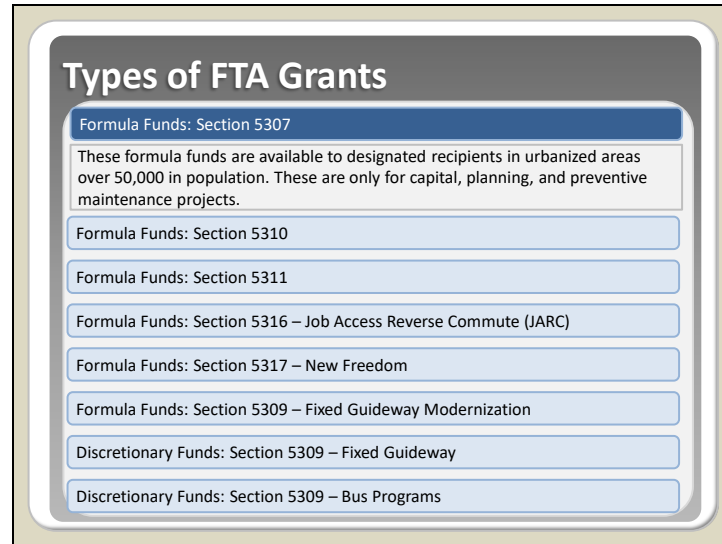


You may be asking yourself what grants management has to do with your specific job. Think of your agency as a living organism. Everyone is a part of the transit “body” which is kept alive by grant money. Employees, transit customers, transit agency board members, and even the non-transit using public benefit from grant money.

For any transit agency, farebox revenue accounts for only a portion of the income your agency uses to accomplish its goals. Without federal and state grants, the agency would not be able to buy new buses, upgrade or enhance routes, or expand service. The Federal Transit Administration (or FTA) is the main federal agency that provides grants to transit agencies. Grants help to assure that the agency can operate day to day, and into the future.

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Types of FTA Grants

Let's first learn about the different types of grants administered by the FTA. For a more detailed description, go to the FTA website and look at the FTA Circular 5010.1D document (or its latest iteration). Be sure to check the Federal Register annually for other discretionary grant programs that may have been created for that fiscal year.

- **Formula Funds: Section 5307:** These formula funds are available to designated recipients in urbanized areas over 50,000 population. These are only for capital, planning and preventive maintenance projects.
- **Formula Funds: Section 5310:** These funds are for transportation services planned, designed, and carried out to meet the special transportation needs of elderly individuals and individuals with disabilities in all areas — urbanized, small urban, and rural.
- **Formula Funds: Section 5311:** This program provides formula funding to states for supporting public transportation in population areas of less than 50,000. Funds may be used for capital, operating, and administrative assistance.

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Types of FTA Grants (continued)

- **Formula Funds: Section 5316 – Job Access Reverse Commute (JARC):**
The Job Access Reverse Commute (JARC) formula grant program aims to improve access to transportation services to employment and employment related activities for welfare recipients and eligible low-income individuals and to transport residents of urbanized areas and non-urbanized areas to suburban employment opportunities.
- **Formula Funds: Section 5317 – New Freedom:** New Freedom program funds are available for capital and operating expenses that support new public transportation services beyond those required by the ADA and new public transportation alternatives beyond those required by the ADA designed to assist individuals with disabilities with accessing transportation services.
- **Formula Funds: Section 5309 - Fixed Guideway Modernization:** These funds are for fixed guideway modernization in areas with populations over 200,000 with fixed guideway segments at least seven years old (based on a formula).
- **Discretionary Funds: Section 5309 – Fixed Guideway:** This funding is for the construction and extension of new fixed guideway systems (New Starts, Small Starts, and Very Small Starts Programs).
- **Discretionary Funds: Section 5309 - Bus Programs:** These funds are for the purchase of bus and bus related equipment and construction of bus facilities in both urbanized and non-urbanized areas.
- **Federal-Aid Highway Program -STP, CMAQ:** Under SAFETEA-LU, some highway funds can be transferred or “flexed” to transit and vice-versa.

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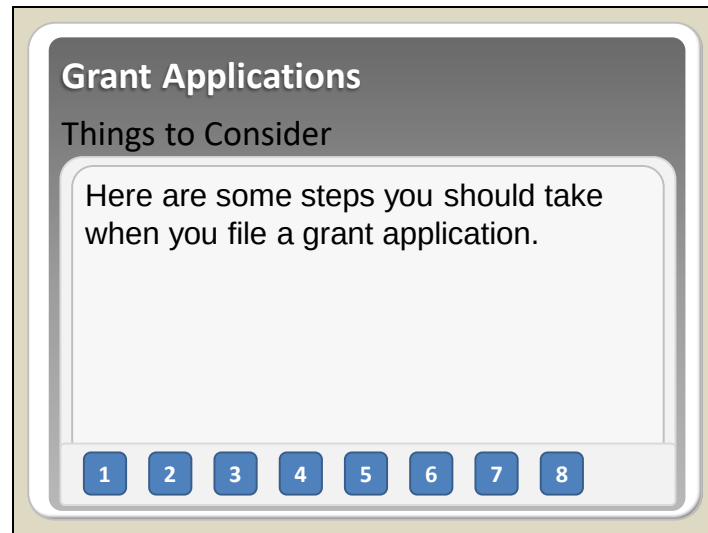
Types of FTA Grants (continued)

- **Surface Transportation Program (STP):** This is a funding category under the Federal Highway Administration (FHWA) that can be flexed to the FTA for transit purposes. STP funds may be used for any transit project that is eligible for assistance under the Federal Transit Act.
- **Transportation Enhancement Activities:** Category of STP funds; 10% of STP funds must be set aside for projects that enhance the compatibility of transportation facilities with their surroundings.
- **CMAQ Congestion Mitigation and Air Quality:** Payable to areas that have not attained federally mandated clean air standards. Funds are allocated to states by population adjusted by a pollution severity factor.

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Now that you know a little bit about the types of grants, let's take a look at what you need to consider when you file a grant application.

Step 1: The governing body, such as the Board of Directors, has formally authorized your agency to file an application for the grant and execute the resulting grant contracts.

Step 2: Opinion of counsel is on file stating that the designated recipient is legally capable of performing all functions of a designated recipient.

Step 3: Annual FTA Certifications and Assurances have been filed.

Step 4: An environmental finding is prepared for the project and approved by the FTA.

Step 5: Required National Transit Database Reports have been filed.

Step 6: Planned transportation projects must be included in the regional MPO's Federal Transportation Improvement Plan (FTIP). Each MPO must have a TIP. The TIP must in turn be rolled up to a State Transportation Improvement Plan (STIP). Funding sources are identified as part of the agency planning process. Every project in a grant application must be in the STIP.

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Thing to Consider (continued)

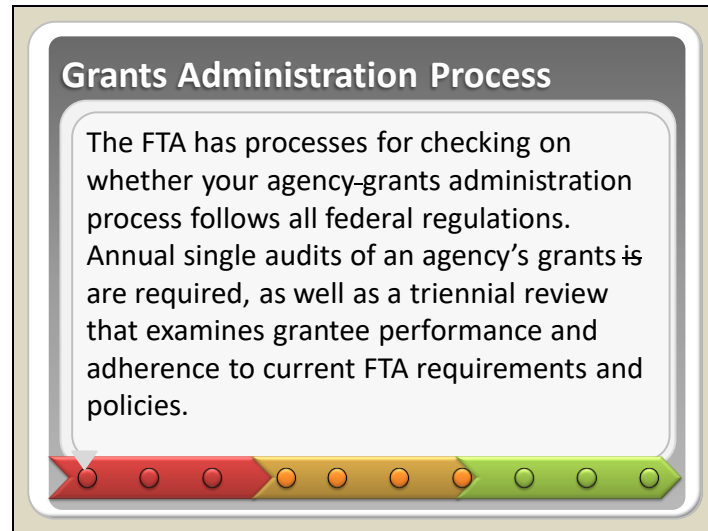
Step 7: Apply for the grant after funding is available.

- In most cases, grants must be approved before contracts can be awarded.
- In the case of money flexed from highway funding for transit, the grantee requests the state department of transportation that funds be flexed to FTA for transit. Funds must be flexed before grant application.
- In some cases, there is pre-award authority to recoup project costs incurred prior to the execution of the grant contract. The grantee must still have an environmental finding, and the project must be included in the TIP/STIP. The grantee must also be in compliance with all other Federal funding rules. The FTA is not committed to funding the project based upon pre-award authority, however.

Step 8: The FTA requires that you apply for the grant using their electronic system software, TEAM. This same system is used to execute grant contracts and provide quarterly financial and milestone reports to FTA. Authorized users have individual log-on and password identifications.

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The FTA has processes for checking on whether your agency is meeting Federal regulations with respect to grants administration. Annual single audits of an agency's grants are required, as well as a triennial review that examines grantee performance and adherence to current FTA requirements and policies. You will learn more about these reviews in the Regulatory Framework module.

For now, let's learn about what steps should be included in an efficient grants administration process.

Step 1

Advanced drawdowns received from the FTA must be disbursed within three business days of the funds' receipt. If the funds are not disbursed promptly, FTA can charge interest calculated beginning on day four. Documentation has to be good enough so that proper timing can be verified.

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Grants Administration Process (continued)

Step 2

Be sure of the following:

- Formula apportionment (Section 5307 and Section 5311) spent on paratransit service does not exceed 10 percent of the apportionment.
- At least 1% of Urbanized Area Formula funds (Section 5307) for areas of population over 200,000 must be spent on transit enhancement projects.

Step 3

Grantees receiving Section 5307 funds must certify that they are spending 1% of funds received for transit security projects, or certify that such expenditures are not necessary.

Step 4

Quarterly milestone and progress reports are filed on time, using the FTA's electronic TEAM system.

Step 5

The grantee maintains a closeout schedule showing that projects are either on schedule or the grantee documents reasons for delays.

Step 6

Grantee has an established process for approving change orders to contracts and has a record of approval and justification for each change order.

Step 7

Be sure that the following plans are in place:

- A Project Management plan for major capital projects over \$100 million
- Current written Fleet Maintenance plan

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Grants Administration Process (continued)

Step 8

Be sure your property has filed its National Transit Database reports and has a multi-year financial plan.

Step 9

Prepare and obtain FTA's approval of a force account plan as required.

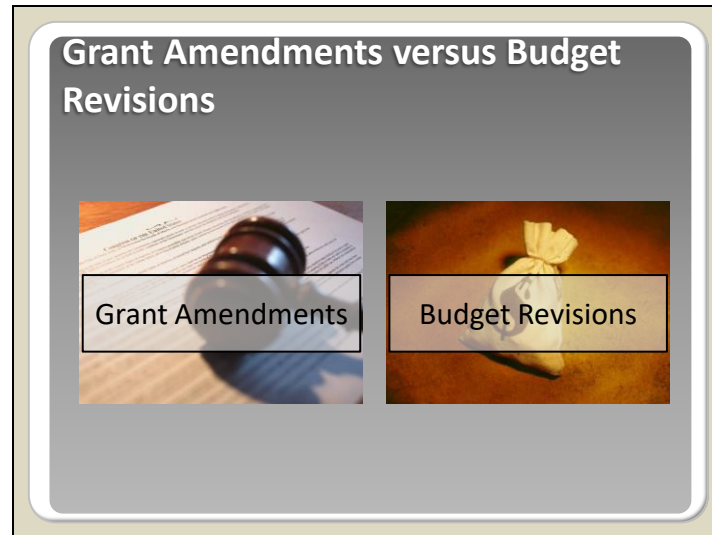
Step 10

Ensure civil rights requirements are up-to-date, including Title VI, the Americans with Disabilities Act (ADA), Equal Opportunity Employment (EEO), and the Disadvantaged Business Enterprise (DBE).

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Now that we know the processes of managing grants, what happens when we need to make a change to a grant? Let's compare two types of changes: Grant Amendments and Budget Revisions.

A grant amendment is used when there is either a change in the scope or budget of the grant. Grant amendments are subject to the same application requirements as a new grant request. All grant amendments are subject to Department of Labor (DOL) certification, just as with a new grant request.

A budget revision may include changes that do not change the scope of the grant, but does have an impact on budget allocations of the original grant. A budget revision may be a transfer of funds within a project scope or between existing Activity Line Items (ALIs) within an approved grant. It could also include the addition or deletion of an ALI.

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Grant Amendments versus Budget Revisions (continued)

Grants amendments:

- Required when there is either a change in the scope or budge of the grant.
- Subject to the same application requirements as a new grant request.
- Subject to Department of Labor (DOL) certification, just as a new grant request.

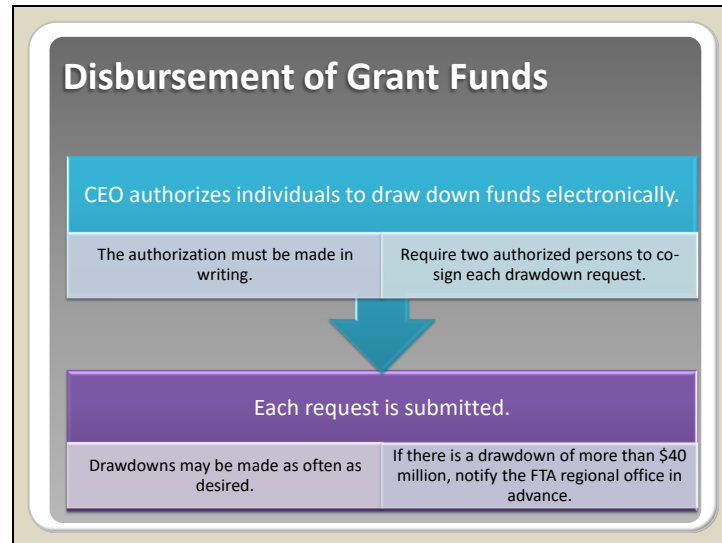
Budget Revisions:

- May include changes that do not change the scope of the grant, but have an impact on budget allocations of the original grant.
- May be a transfer of funds within a project scope or between existing Activity Line Items (ALIs) within an approved grant.
- Could include the addition or deletion of an ALI.

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We'll now talk about the disbursement of grant funds. First the transit agency CEO authorizes individuals to draw down funds electronically from the FTA once grant approval has been received. The authorization must be made in writing to the FTA. A good practice is to require at least two authorized persons to co-sign each drawdown request, which are then submitted via the U.S. Treasury's electronic payment system. Drawdowns may be made as often as desired, without minimum or maximum limits. In the case of significant drawdowns of more than \$40 million, it is best to notify the FTA regional office in advance.

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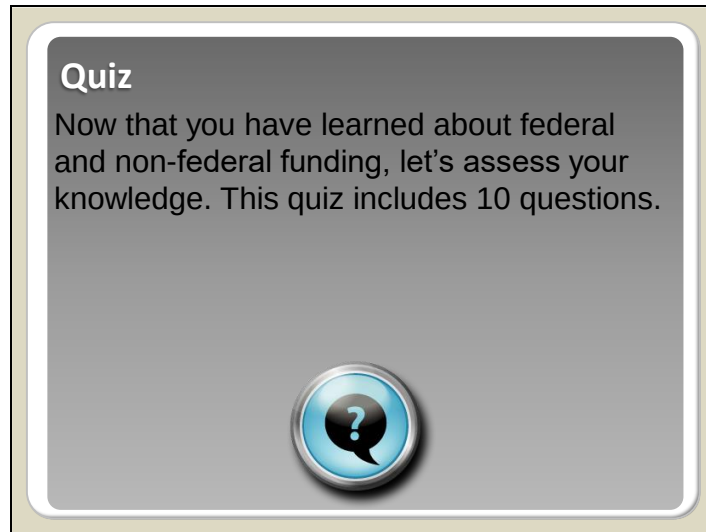


Let's take a look at some grants management do's and don'ts.

- DO meet pre-award requirements such as environmental findings before exercising pre-award authority.
- DON'T overlook filing the annual Certifications and Assurances.
- DO include all required Federal required clauses in contracts (see the Regulatory Environment module).
- DON'T sign contracts too early - take care with timing of third-party contracts.
- DO file reports on time. FTA can and will stop reimbursements if reports are sufficiently late.
- DON'T make land offers too early or prior to FTA's approval.
- DO maintain a clear audit trail of expenses and applicable corrections.
- DON'T overdraw an individual grant line item or budget unless you have considered the effects of a budget revision or without FTA's prior approval.
- DO ensure that grant expenses requested for reimbursement are grant eligible.
- DON'T fail to notify FTA of unusual situations such as schedule slippage.
- DO involve FTA staff in answering questions.

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Now that you have learned about federal and non-federal funding, let's assess your knowledge. This quiz includes 10 questions.

1. Identify the statement in the following list that is false.
 - A. Surface Transportation Program funds can be flexed from highways to transit.
 - B. Transportation Enhancement Activities funds are a subcategory of Surface Transportation Program monies.
 - C. The term 'designated recipient' of Section 5307 Formula Funds always means a transit agency.
 - D. Discretionary Funds for Section 5309 can be for buses or new starts.
 - E. CMAQ funds are usable for projects that aim to reduce pollution.
 - F. Section 5307 Formula Funds can be used for capital projects.
2. Only two of the statements below about pre-award authority is true. Which are they?
 - A. A pre-award authority can be granted for some Formula Funding projects.
 - B. The FTA is committed to approving funding after grant approval if a pre-award authority has been granted.
 - C. An environmental finding is still required prior to granting of pre-award authority.

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Quiz (continued)

3. What is the general subject addressed by a State Implementation Plan?
 - A. Project scheduling
 - B. Pedestrian safety
 - C. Attainment of air quality standards
 - D. Use of correct ADA standards.
4. All grant applications require an environmental finding.
 - A. True
 - B. False
5. One of the following four statements is incorrect. Select the one that is incorrect.
 - A. In areas of population over 200,000 at least 1% must be spent on enhancement projects.
 - B. Drawdown funds must be disbursed within three business days of the funds' receipt.
 - C. Section 5307 funds require certification of up to 1% on safety projects or that they are not necessary.
 - D. Grantees must maintain a record of project schedules and close them out promptly.
6. Within how many days of receipt of FTA grant money must funds be disbursed to contractors?
 - A. 3 days
 - B. 1 week
 - C. 90 days
7. What is the maximum percent of formula funds that can be spent on paratransit?
 - A. 2%
 - B. 10%
 - C. 25%
 - D. 50%

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Quiz (continued)

8. What is the minimum percent of formula funds that must be spent on transit enhancements?
 - A. 1%
 - B. 5%
 - C. 2%
 - D. 10%

9. How often are agencies in areas over 200,000 population required to file milestone and project reports?
 - A. Annually
 - B. Monthly
 - C. Quarterly
 - D. At grant close-out

10. Grant closeout must take place within six months of project completion.
 - A. True
 - B. False

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Quiz (continued)

Answers:

1. C
2. A & C
3. C
4. True
5. A
6. A
7. B
8. A
9. C
10. False

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Module Completion

You should now know how to:

- Describe the different types of grants.
- Identify the considerations that should be analyzed when filing a grant application.
- Describe the steps needed to ensure an efficient grant administration process.
- Compare the differences between a grant amendment and a budget revision.
- Demonstrate your awareness of how grand funds are disbursed.
- Identify the do's and don'ts of grants management.

Congratulations! You have completed the **Grants Management** module. You should now know how to:

- Describe the different types of grants,
- Identify the considerations that should be analyzed when filing a grant application,
- Describe the steps needed to ensure an efficient grant administration process,
- Compare the differences between a grant amendment and a budget revision,
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Grants Management Glossary

Americans with Disabilities Act

This Act gives civil rights protections to individuals with disabilities that are like those provided to individuals based on race, sex, national origin, and religion. It guarantees equal opportunity for individuals with disabilities in employment, public accommodations, transportation, State and local government services, and telecommunications.

Department of Labor Certification

Section 5333(b) of the Federal Transit law requires that arrangements be made to protect certain rights of mass transit employees affected by grants of Federal funds. These rights include the preservation of rights, privileges, and benefits under existing collective bargaining agreements, the continuation of collective bargaining rights, the protection of individual employees against a worsening of their positions related to employment, assurances of employment to employees of acquired mass transportation systems, priority of reemployment, and paid training or retraining. In administering this program, the Department notifies relevant unions, if any, in the area of the proposed project and provides the grant applicant and the affected union(s) an opportunity to develop the terms and conditions of the protections.

Disadvantaged Business Enterprise (DBE)

Companies are certified after they prove at least 51 percent ownership by a person categorized as female, African-American, Hispanic or other prescribed allowable disadvantaged group.

Equal Employment Opportunity

Fair treatment in federal employment and personnel matters without regard to race, color, sex, religion, national origin, age, or physical or mental disability.

Fixed Guideway

Fixed guideway refers to any transit service that uses exclusive or controlled rights-of-way or rails, entirely or in part. This includes heavy rail, commuter rail, light rail, trolleybus, aerial tramway, inclined plane, cable car, automated guideway transit, ferryboats, and that portion of motor bus service operating on exclusive or controlled rights-of-way and high occupancy vehicle lanes.

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Full Funding Grant Agreement (FFGA)

Full Funding Grant Agreements are the designated means of providing Section 5309 New Starts funding for a project in the amount of \$25 million or more. An FFGA establishes the terms and conditions for Federal financial participation in a New Starts project; defines that project in detail; obligates a grantee to complete the scope of work under that grant agreement; sets the maximum amount of section 5309 New Starts funds that will be made available for that project; covers the period of time for completion of the project; and ensures a grantee's efficient management of the project in accordance with all applicable Federal statutes, regulations, and policy.

Intermodal

A mode is a particular form of transportation such as automobile, transit, ferry, bicycle, or walking. Intermodal refers specifically to the connections between modes.

Letter of No Prejudice (LONP)

This approval allows an applicant to incur costs on a future project using non-Federal resources with the understanding that the costs incurred after the LONP is issued may be reimbursable as eligible expenses or for credit toward the local match should the FTA approve the project at a later date. Grantees must still have an environmental finding, must be included in the TIP/STIP/SIP, and comply with all other Federal rules. FTA is not required to approve a project simply because the LONP has been issued.

Multimodal

Refers to the availability of multiple transportation options - so a multimodal focus means finding the most efficient mode of people and goods from place to place-truck, bus, automobile, ferry, airplane, bicycle, train, on foot.

National Environmental Policy Act (NEPA)

Under the NEPA, a finding documents whether or not a project will have potential impacts on the environment. NEPA requires such a finding from DOT before the project's cost is eligible for reimbursement even under pre-award authority, or a Letter of No Prejudice.

Three classes of findings exist:

- **Class 1** is a project that is assumed to significantly affect the environment, and requires an Environmental Impact Statement; the Draft Environmental Impact

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Statement and Final Environmental Impact Statement (DEIS and FEIS) take as much as 18 to 24 months to complete. Included in this category is new construction or extension of rail lines, as an example.

- **Class IIc and d** is a Categorical Exclusion (CE), which is listed in CFR 771.117. CE's include utility installations; construction of bicycle and pedestrian lanes; highway safety plan activities; noise barriers; emergency repairs; ridesharing activities; bus and rail car rehabilitation, vehicle purchase if existing facilities can accommodate them. Projects in Class II c do not require any further approvals. Project under class IId require prior FTA approval.
- **Class III** indicates that the significance of the environmental impact is not clearly established. All actions in this class require the preparation of an Environmental Assessment (EA) to determine the appropriate environmental document that may be required. The assessment can result in either 1) Finding of No Significant Impact - FONSI. There can be impacts, but not significant ones; or 2) Record of Decision - ROD provides a concise public record of the decision on a proposed action for which an EA was prepared.

During the grant review process, the FTA regional office will determine whether they agree with the environmental finding for each project, and the grantee may need to provide information to justify the finding.

Pre-award authority

By Congressional legislation, in some instances a grantee can recoup project-related costs incurred prior to execution of a grant contract. Formula Programs (Section 5307 Urbanized Area Program and Section 5309 Fixed Guideway Modernization Program) can be granted pre-award authority, but the grantee must still have an environmental finding, and the project must be included in the TIP/STIP/SIP. The grantee must also be in compliance with all other Federal funding rules.

Transit Enhancement Projects

Projects or project elements that are designed to enhance public transportation service or use and are physically or functionally related to transit facilities. Eligible enhancements include historic preservation, rehabilitation and operation of historic public transportation buildings, structures, and facilities; bus shelters; landscaping and other scenic beautification; public art; pedestrian access and walkways; bicycle access;

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transit connections to parks within the grantee's transit service area; signage; and enhanced access for persons with disabilities to public transportation.

Title VI of the Civil Rights Act of 1964

This title declares it to be the policy of the United States that discrimination on the ground of race, color, or national origin shall not occur in connection with programs and activities receiving Federal financial assistance and authorizes and directs the appropriate Federal departments and agencies to take action to carry out this policy.