



APPENDIX B

FUNDING SOURCES

Table 3 below explains the state highway funding sources and their eligible uses. The State Highway Fund is TxDOT’s principal fund with most of the taxes and fees deposited in the State Highway Fund dedicated by the Texas Constitution to support state highways. The primary sources of State Highway Fund revenues are the state motor fuels tax, vehicle registration fees, sales taxes (Proposition 7), and the oil and gas production tax (Proposition 1). Revenues from Propositions 1 and 7 are held in special subaccounts of the State Highway Fund.

Table 3. State Highway Funding Sources


State Programs	Program Code	Purpose
State Highway Fund	SHF	Fund state right-of-way acquisition, highway construction, and maintenance of public roadways.
Proposition 7	Prop 7	(1) Construct, maintain, or acquire rights-of-way for public roadways other than toll roads and; (2) The legislature may appropriate Proposition 7 funds to pay for the debt service on Proposition 12 Highway Improvement General Obligation Bonds.
Proposition 1	Prop 1	Constructing, maintaining, and acquiring rights of way for public roadways other than toll roads.
Texas Mobility Fund	TMF	To develop and construct state highways and other public transportation projects.
General Revenue	---	May be used on all forms of multimodal transportation in order to pay for exceptional items or legislative directives where other revenues are unavailable due to restrictions or if they have already been fully obligated.

Source: [Transportation Funding in Texas FY 2024-25](#)

Table 4 below is a guide to the funding restrictions associated with each of TxDOT’s state funding sources. While some sources are allowable for non-highway transportation needs, like aviation, ports, rail, and public transportation, a large majority of TxDOT’s funding is dedicated to improvement of the state highway system.

Table 4. State Highway Funding Uses and Flexibility

Funding Source	Project Type							
	Highways (Non - Tolloed)	Highways (Tolloed)	Rail (Passenger)	Rail (Freight)	Transit (Public)	Aviation (Public)	Port (Outside Gates)	Ports (Inside Gates)
Proposition 1 Funds	✓							
Proposition 7 Funds	✓							
State Highway Fund (Dedicated) ¹	✓	✓						
Texas Mobility Fund ²	✓		✓		✓	✓	✓	
State Highway Fund (Non-Dedicated) ³	✓	✓	✓	✓	✓	✓	✓	
General Revenue ⁴	✓	✓	✓	✓	✓	✓	✓	✓

 Non-constitutionally dedicated State Highway Fund revenues are fully committed and unavailable for new purposes without impacting the current uses noted above.

1. State Highway Fund (Dedicated) includes traditional sources of funding dedicated by the Texas Constitution and consists of state motor fuel and lubricant taxes, motor vehicle registration fees, and interest earned on dedicated deposits. It also includes federal reimbursements that are not reflected in the above grid, as a small amount of these federal funds may at times be used for other modes of transportation.
2. The Texas Constitution allows for the use of Texas Mobility Fund revenues and bond proceeds to develop and construct state highways and other public transportation projects.
3. State Highway Fund (Non-Dedicated) includes very limited revenue sources that are designated by statute but not the Texas Constitution. These limited revenue sources are further constrained by an annual, statutorily required transfer of approximately \$150 million, which backfills the Texas Mobility Fund’s loss of Certificate of Title Fees. Many multimodal transportation services have received level funding for decades because of the limited availability of non-constitutionally dedicated funds.
4. State general revenue may be used on all forms of multimodal transportation in order to pay for exceptional items or legislative directives where other revenues are unavailable due to restrictions or if they have already been fully obligated.

Federal transit funding is based on an appropriations process from the United States Congress. Each year, the U.S. Department of Transportation’s Federal Transit Administration (FTA) distributes the state’s annual appropriation to fund a variety of transit-related activities. **Table 5** below describes the major federal transit funding programs. MPO transit projects and transit funding summaries can be found in each MPO’s TIP. Statewide transit projects and corresponding funding summary table are included in **Appendix H**.

Table 5. Transit Funding Sources

FTA Programs	Program Code	Description
Urbanized Area Formula Grant	Section 5307	The Urbanized Area Formula Funding program (49 U.S.C. 5307) makes federal resources available to governors and other recipients for transit capital and operating assistance and transportation-related planning in urbanized areas. An urbanized area is an area that has been defined and designated by the U.S. Department of Commerce, Bureau of the Census as an 'Urban Area' with a population of 50,000 or more.
Capital Investment Grants	Section 5309	Provides funding through a multi-year competitive process for transit capital investments, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit. Federal transit law requires transit agencies seeking CIG funding to complete a series of steps over several years to be eligible for funding.
Enhanced Mobility of Seniors & Individuals with Disabilities	Section 5301	Provides federal funds to public and private nonprofit entities for the transportation of elderly individuals and/or individuals with disabilities.
Formula Grants for Rural Areas	Section 5311	Provides capital, planning, and operating assistance to states to support public transportation in rural areas with populations less than 50,000, where many residents often rely on public transit to reach their destinations.
State of Good Repair Grants	Section 5337	Provides capital assistance for maintenance, replacement, and rehabilitation projects of existing high-intensity fixed guideway and high-intensity motorbus systems to maintain a state of good repair. Additionally, SGR grants are eligible for developing and implementing Transit Asset Management plans.
Grants for Buses and Bus Facilities	Section 5339 (a)	Provides funding to states and transit agencies through a statutory formula to replace, rehabilitate and purchase buses and related equipment and to construct bus-related facilities. In addition to the formula allocation, this program includes two discretionary components: The Bus and Bus Facilities Discretionary Program and the Low or No Emissions Bus Discretionary Program.

Source: [FTA Grant Programs](#)