



# Transportation Efficiency: New Federal Funding Opportunities for Local Governments

NOVEMBER 2022

MIDWEST RURAL FEDERAL FUNDING OUTREACH SERIES | ACEEE

Local governments of small and medium-sized communities can help lower transportation costs in their communities through transportation efficiency projects. To aid in this effort, large amounts of federal funding have been made available to local governments in the American Rescue Plan Act (ARPA), Infrastructure Investment and Jobs Act (IIJA), and Inflation Reduction Act (IRA). This fact sheet highlights key ARPA, IIJA, and IRA transportation efficiency programs and a list of state and federal resources to facilitate access,<sup>1</sup> with a focus on small and medium local governments serving rural residents.<sup>2</sup>

## Why Invest in Local Transportation Efficiency?

Improving vehicle efficiency and access to public transit can save money for all residents, especially those living in smaller, rural communities, who typically face higher transportation costs than city residents.<sup>3</sup> Local government policies and programs can lower costs and barriers for electric vehicle (EV) adoption and improve access to shuttles, dial-a-ride programs, or vanpools that help residents get to jobs, schools, shopping, medical appointments, and places of worship. EVs and other low-carbon forms of mass transportation can lower the cost of vehicle ownership for households through savings on gasoline and vehicle maintenance. Investing in infrastructure for EVs and public transportation in remote areas can also bring economic development by making local businesses more accessible.

<sup>1</sup> See the National Agricultural & Rural Development Policy Center's [Rural Energy Use and the Challenges for Energy Conservation and Efficiency](#).

<sup>2</sup> For these fact sheets, ACEEE defines a rural household as one outside of a metropolitan census tract of 50,000 residents or more, which includes many small and medium-sized towns. Local governments can use this [Census Bureau map](#) to determine whether their community is rural.

<sup>3</sup> See ACEEE's report [Understanding Transportation Energy Burdens](#).

## Transportation Efficiency Funding in the IIJA Five-Year Transportation Bill Reauthorization

- \$6.4 billion to reduce transportation carbon emissions
- \$7.5 billion in new funding for EV charging infrastructure
- Billions more to increase transportation efficiency, including repairing, modernizing, and expanding public transportation, with funds set aside for rural communities

## Priority Federal Programs

The following table summarizes some of the key ARPA, IIJA, and IRA funding opportunities to help support local transportation efficiency projects and contribute to economic development and community resilience by reducing energy costs, strengthening resistance to extreme weather, and promoting energy independence. Below the table, we describe each federal program, including eligible applicants, eligible projects, total funding, and other key details.

### PROGRAMS HIGHLIGHTED IN THIS FACT SHEET

Program name	Agency and office	Type of funding <sup>1</sup>	Next milestone*
Formula Grants for Rural Areas	U.S. Department of Transportation (DOT), Federal Transit Administration	State formula funding	Funding not yet announced
Carbon Reduction Program	U.S. DOT, Federal Highway Administration	State formula funding	DOT issued implementation guidance in April 2022.
Rural Surface Transportation Grant Program	U.S. DOT, Federal Highway Administration	Competitive grants	First year of funding applications were due in May 2022.
Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grants	U.S. DOT	Competitive grants	First year of funding applications were due in April 2022.
Charging & Fueling Infrastructure Grants	U.S. DOT, Federal Highway Administration	Competitive grants	Guidance expected in late 2022
Low or No Emission Bus Grants	U.S. DOT, Federal Transit Administration	Competitive grants	First year of funding applications were due in May 2022.
Clean School Bus Program	Environmental Protection Agency	Competitive grants and rebates	First year of funding applications are due in August 2022.
Nationally Significant Freight and Highway Projects (INFRA)	U.S. DOT, Federal Highway Administration	Competitive grants	First year of funding applications were due in May 2022.
Rural and Tribal Assistance Pilot Program	U.S. DOT, Build America Bureau	Competitive grants	Funding not yet announced
Various Programs: Inflation Reduction Act	Various, including the Federal Highway Administration	Various	To be announced

\*As of August 2022. See below for more details.

<sup>1</sup> Formula funds are allocated to states or local governments based on predetermined formulas set by Congress and often include minimum funding amounts. Competitive funds are allocated to applicants selected by the administering agency through a competitive process.

**Formula Grants for Rural Areas.** These state formula funds can be used to improve, initiate, or continue access to essential services and employment—including public transit, such as intercity bus service—in rural areas with populations of less than 50,000. A portion of the funds may be used for technical assistance, including planning, program development, or research. Through fiscal year 2026, \$4.1 billion is available.

**Carbon Reduction Program.** This new program directs formula funds to states for projects designed to reduce transportation carbon emissions. Eligible projects include, but are not limited to, pedestrian infrastructure, zero-emissions vehicles, travel demand management strategies, and truck stop and port electrification. In selecting rural projects, states are required to consult with a regional or metropolitan transportation planning organization that represents the area. Of the total funds, 65% will be apportioned directly to local governments, and the remaining 35% will be left to the state’s discretion. This program makes available \$6.4 billion through fiscal year 2026.

**Rural Surface Transportation Grant Program.** DOT grants will be available to local governments (or multijurisdictional group of governments) to support surface transportation infrastructure in rural areas. Multimodal transportation, on-demand mobility services, and transportation demand management are eligible, as well as relevant projects that advance [national surface transportation goals](#), including improving air quality and environmental sustainability. Ninety percent of funding will be for projects of \$25 million or more. Projects are eligible for up to 80% funding through the grant, and other federal grants can be used for the remaining share. The program makes \$1 billion available through fiscal year 2026.

**Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grants.** These flexible DOT grants are available for a wide variety of transportation projects that have a significant local or regional impact. The fiscal year 2022 Notice of Funding Opportunity sought projects that reduce greenhouse gas emissions, promote energy efficiency, support responsible land use and efficient transportation design, encourage the use of lower-carbon travel, increase climate resilience, or meet other criteria. DOT set aside 50% of funds for rural projects, and in fiscal year 2022 rural communities were eligible for 100% federal share of funding. This program makes \$7.5 billion available through fiscal year 2026.



### Charging and Fueling Infrastructure Grants.

→ *Corridor Charging.* These DOT grants are available to local governments to deploy electric vehicle (EV) charging infrastructure along designated alternative fuel corridors, including operating assistance for the first five years. Through fiscal year 2026, \$1.25 billion is available.

→ *Community Charging.* These EV charging grants are set aside for rural areas, low- and moderate-income neighborhoods, and communities with a low ratio of private parking spaces. Through fiscal year 2026, \$1.25 billion is available.

EV charger in Hutchinson, Minnesota.  
Source: John Paulson.

## EV School Bus Programs.

- *Low or No Emission Bus Grants.* These DOT grants help state and local governments to purchase or lease zero-emission and low-emission transit buses and required supporting facilities. Five percent of the funding will support workforce development training to maintain and operate zero-emission vehicles. Over five years, \$5.6 billion is available
- *Clean School Bus Program.* These new grants are available to states, local governments, eligible contractors, and nonprofit school transportation associations to cover 100% of the cost to replace existing school buses. Funds can be used for zero-emission (such as battery electric) or alternative fuel school buses. This program makes \$5 billion available through fiscal year 2026.

**Nationally Significant Freight and Highway Projects (INFRA).** These DOT grants are available to local governments for significant freight and highway projects to improve the safety, efficiency, and reliability of the movement of freight and people in and across rural and urban areas. Recipients can include freight efficiency projects that help reduce localized emissions and transportation electrification. Through fiscal year 2026, \$7.25 billion is available.

**Rural and Tribal Assistance Pilot Program.** The Build America Bureau is developing a Notice of Funding Opportunity for this new program. Eligible applicants, including states, local rural governments, and federally recognized Indian tribes with pre-development phase infrastructure projects may apply for grants for financial, technical, and/or legal advisory services for rural transportation infrastructure projects. The program will make \$10 million available through fiscal year 2026, beginning with \$1.6 million in fiscal year 2022.

**Inflation Reduction Act.** This law allocates significant federal investments in energy efficiency and renewable energy, some of which may be directly available to local governments. Some of the proposed transit funding includes \$3 billion for a new Neighborhood Access and Equity grant program supporting projects that improve walkability, reduce vehicle pollution, and help residents access affordable transportation, especially in disadvantaged communities; \$1 billion for clean heavy-duty vehicles (e.g., school buses, transit buses, and garbage trucks); and \$177 million for underutilized energy technologies through the Rural Energy for America Program.



Source: Gary Meulemans

# Transportation Efficiency Program Resources

## FEDERAL RESOURCES

- [Upcoming DOT Notice of Funding Opportunity Announcements](#)
- [DriveElectric.gov: Data and tools to help deploy EV chargers](#). DOT and U.S. Department of Energy (DOE) Joint Office of Energy and Transportation
- [DOT Technical Assistance Resources for Local Governments](#). DOT. A compilation of federal guides to help local governments plan, deliver, and identify federal funding and financing for transportation projects; includes a [map](#) of DOT regional and field office contacts
- [Charging Forward: A Toolkit for Planning and Funding Rural Electric Mobility Infrastructure](#). DOT. Describes stages of EV infrastructure development including discussions of partnership opportunities, and EV infrastructure planning, funding, and financing for rural areas
- [Federal transportation funding opportunities 101](#). Transportation for America. Provides five in-depth, detailed guides on federal programs for public transportation, passenger rail, complete streets, active transportation, and EV infrastructure



Source: Josh Berendes

## STATE RESOURCES

Rural local governments can engage state departments of transportation to identify transportation efficiency federal funds available for municipalities and the processes for accessing them. See below for a list of state departments of transportation in several midwestern states, including IJJA-focused web pages when available:

- [Illinois Department of Transportation](#)[Indiana Department of Transportation](#)
- [Iowa Department of Transportation](#)
- [Michigan Department of Transportation](#)
- [Minnesota Department of Transportation \(IJJA\)](#)
- [Ohio Department of Transportation \(IJJA\)](#)
- [Wisconsin Department of Transportation \(IJJA\)](#)

For more information, next steps, and frequently asked questions, see our companion fact sheet, “Strategies for Small Local Governments to Access Federal Funding for Energy Efficiency, Renewable Energy, and Transportation Efficiency.” The infographic below summarizes steps local governments can take to access federal funding. In forthcoming fact sheets, ACEEE will highlight transportation efficiency program models that local governments can pursue with federal funding.

