State Revolving Loan Fund

"Federal grant funds may be used to support State or local revolving loan funds established in accordance with appropriate State laws."

States have the ability to use FTA grant funds to establish and operate Revolving Loan Funds in support of public and private non-profit transit operators. This mechanism allows the state, as recipient or by agreement with its sub-recipients, to aggregate Section 5310, 5311, or 5307 funds, pool purchases of vehicles and either lease or sell these to the transit operators, or make loans to transit operators for vehicle and facilities acquisitions. The revolving loan fund allows pooled vehicle purchases that may help reduce acquisition costs. It provides a mechanism for the State to make loans (with interest if necessary) or leases to transit operators who might not be able to arrange such transactions on their own. And, it provides an ongoing source of local capital in support of the State's transit operators.

The interest payments and lease payments returned to the State's revolving loan fund are considered to be "program income" in the context of the FTA grant program. These income streams are therefore not required to be returned to the U.S. Treasury, and may be used to make additional loans, leases, and grants to eligible transit grantees. The local grantees are able to use subsequent years' rural or urban grant funds to make loan or lease payments, including reasonable interest.

Some transit operators are using proceeds from Joint Development projects to establish revolving funds for land acquisition in support of ongoing, transit-oriented development programs. This combines the concepts of project eligibility under joint development with long-range capital management. While joint development plans are often limited by grant funds availability, using program income to enhance the viability of needed transit facilities for joint development can produce significant dividends.

ARKANSAS DOT WAS THE FIRST TO ESTABLISH A REVOLVING LOAN FUND FOR RURAL AND SPECIALIZED TRANSIT SERVICES, USING A COMBINATION OF FTA AND FHWA-PROVIDED FUNDING.