Federal-Aid Highway Program
Federal Fiscal Year 2001 Report

Arizona Department of Transportation
Financial Management Services
Office of Resource Administration

FEDERAL-AID HIGHWAY PROGRAM

Introduction

This document is intended to give an overview of the Federal-aid Program and its impacts on Arizona. There are four major sections in the report: (1) Overview of the Federal-aid Program; (2) Arizona Federal funding highlights for fiscal year 2000-2001; (3) Federal-aid Highway Program Characteristics; and (4) Federal-aid Highway Program descriptions.

The first section gives a general overview of how the Federal-aid Program is financed, the authorization process and a discussion of the apportionment, allocation and obligation authority processes. The second section deals with Arizona Federal funding highlights for fiscal year 2000-2001. The last two sections are devoted to characteristics of the core programs, including eligibility, limitations, apportionment formulas and descriptions of the funding categories.

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- Federal Funding for Arizona - FY 2000-2001 Status — Page 5 - 10
- Federal-aid Highway Program Characteristics — Page 11 - 13
- Federal-aid Highway Program Descriptions — Page 14 - 19

THE FEDERAL-AID HIGHWAY PROGRAM

Program Overview

The Federal-aid Highway Program is financed from the proceeds of motor fuel and other highway related excise taxes deposited in the Federal Highway Trust Fund (HTF). The Federal-aid Highway Program is a Federally assisted, state administered program, which distributes Federal funds to the states for the construction and improvement of urban and rural highway systems. On Federal-aid highway projects, a state (or local entity qualified for certification acceptance through the state) develops the plans, lets the contracts, and supervises the construction. The highways remain under the administrative control of the state or local government responsible for their operation and maintenance.

Using revenues in the Highway Account of the Highway Trust Fund, the Federal Highway Administration (FHWA) reimburses states for expenditures related to approved highway projects. The FHWA distributes these revenues to states based on apportionment and allocation criteria. Authorization is the process by which Congress authorizes the expenditure of Federal revenues on Federal programs. For the program, authorization has been, and continues to be on a multi-year basis. In recent years the authorization has been for a six-year period. The most recent Highway Transportation Act, Transportation Equity Act for the 21st Century (TEA-21), authorized funding for six years, beginning in 1998. For each Federal fiscal year, the FHWA apportions the authorized funding among the states according to formulas that are established in authorizing statutes. The distribution of Federal funds that do not have a statutory formula is called an “allocation” rather than an “apportionment”.

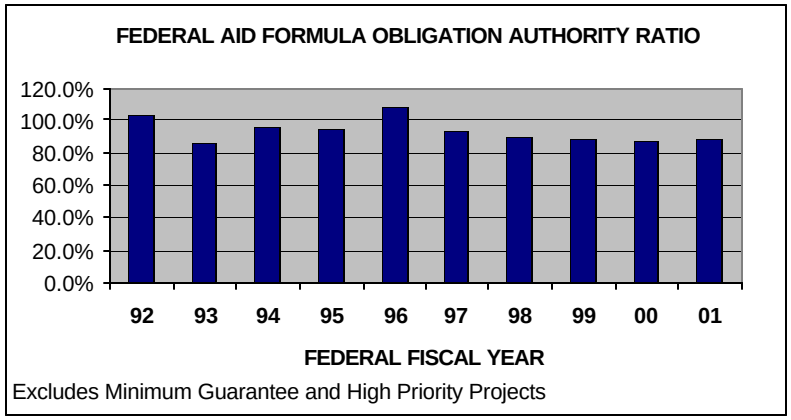
Current law requires that the cash balance of the Highway Account of the HTF, plus projected revenues for the next two years, must be sufficient to repay all unpaid obligations before any additional apportionments of revenues can be made from the HTF. As a result, and unlike most Federal programs, the flow of Federal funding to states for highway projects does not depend on timely appropriation of revenues by Congress as funding is provided through trust-funded contract authority rather than appropriated budget authority.

THE FEDERAL-AID HIGHWAY PROGRAM

Distribution of Obligation Authority

The obligation limitation is the amount of authorized funding that Congress allows states to obligate in an individual year. The process of determining the annual obligation limitation begins when Congress establishes annual domestic discretionary spending caps - the amount of Federal dollars that can be spent on all domestic, non-entitlement programs in a given year. Once budget caps are determined, Congress distributes spending levels across different program areas, and a targeted level of outlays for highway spending is determined. Congress then establishes the amount of highway funding that can be obligated in the given year. This level often is below the authorized annual level, and serves as a limit on the total obligation in that particular year.

Once Congress establishes an overall obligation limitation, the FHWA distributes Obligation Authority to states proportionately to each state's share of apportioned and allocated revenues. The actual ratio of Obligation Authority to apportionments and allocations may vary from state to state because some Federal-aid programs are exempt from the obligation limitation. A state's Obligation Authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the fiscal year for which it is made available; if not, it will be distributed to other states. The reallocation of Obligation Authority is referred to as the August Redistribution.



THE FEDERAL-AID HIGHWAY PROGRAM

Federal Apportionments and Allocations

For most of the Program components, the Authorization Act sets the distribution of spending authority among states. The primary methods used to distribute authorized Federal highway revenues are apportionment and allocation.

(a) APPORTIONMENTS. The contract authority created by authorization acts such as ISTEA and TEA-21 is distributed annually among the states using a process called apportionment of revenues. Apportionments are the maximum amount of contract authority that each state can expend for projects in specific programs. For each fiscal year, the FHWA has responsibility for apportioning authorized funding for the various programs among the states according to formulas established in the authorizing statute. Apportionment factors include: lane miles, vehicle miles traveled, taxes paid into the HTF, diesel fuel usage, etc. Each program has a unique set of factors which determine the apportionments to the states. Annual apportionments are generally made on October 1st, the first day of the Federal fiscal year.

(b) ALLOCATIONS. While most Federal-aid funds are distributed to states through apportionments, some funding categories do not contain legislatively mandated apportionment formulas. Distribution of revenues, where there are not statutory formulas, is based on criteria determined administratively by the Federal Department of Transportation or as provided in a statute.

Apportionment formulas have been designed historically to ensure distribution of Federal revenues among states according to program needs, but are also increasingly intended to provide states a share of total HTF revenue relatively close to their payments into the HTF. ISTEA included provisions designed to help states achieve a closer ratio of revenues from the HTF to payments into the HTF (equity provisions) and to assure that no state would suffer a dramatic decline from one year to the next in its Federal-aid apportionment (the hold harmless rule).

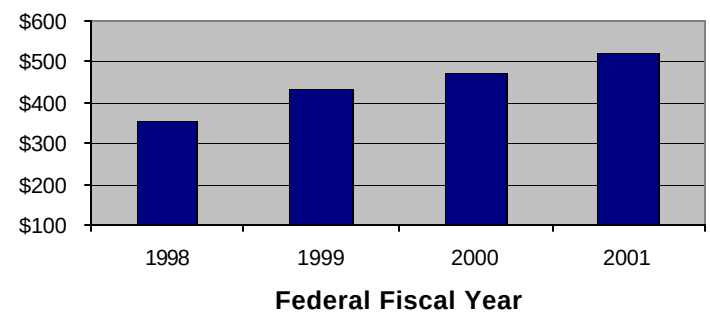
FEDERAL FUNDING FOR ARIZONA

The Transportation Equity Act for the 21st Century (TEA-21) was enacted into law on June 9, 1998, providing Federal funding through Fiscal Year 2003. TEA-21 provides Arizona with a record amount of Federal-aid revenue. TEA-21 Arizona funding levels are expected to total $2.7 billion over the six-year period. This level is 80% higher than the amount provided under the prior Federal Transportation Act (ISTEA). On an average annual basis, the Department expects to receive $348 million in Federal-aid apportionments with another $108 million allocated to local governments.

Fiscal Year 2000-2001 Highlights

Apportionments

Total apportionments for Federal fiscal year 2001 totaled $521.6 million, compared to $475.0 million in FY 2000. Through the first four years of TEA-21, total Federal-aid apportionments available to Arizona have averaged $445.7 million.



Includes Minimum Guarantee and High Priority Projects

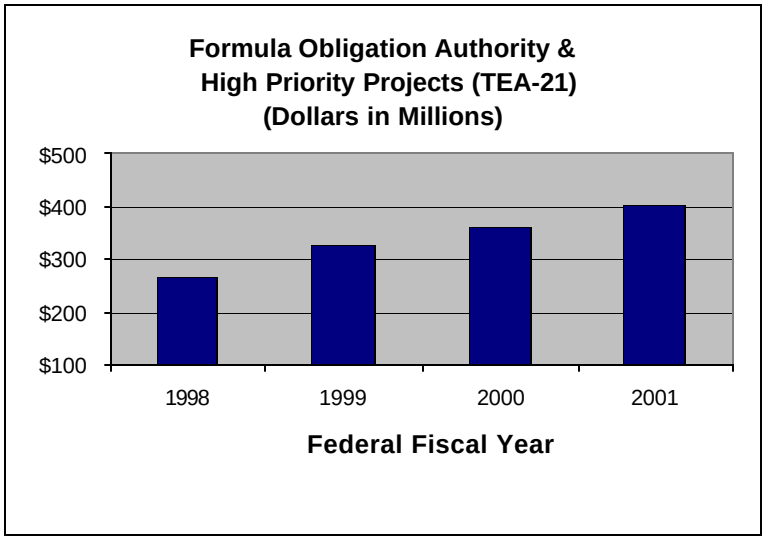
FEDERAL FUNDING FOR ARIZONA

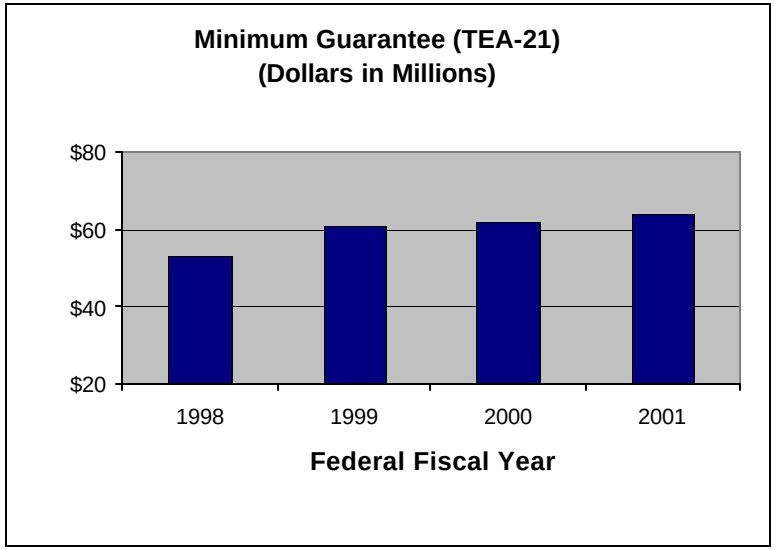
Formula Obligation Authority &
High Priority Projects

Formula Obligation Authority and High Priority Projects totaled $402.7* million in FY 2001. This compares to $359.6 million in FY 2000.

Minimum Guarantee

Minimum Guarantee Spending Authority totaled $63.9* million in FY 2001. An additional $3.9 million of Minimum Guarantee apportionments is subject to the Formula Obligation Authority, for a total of $67.8 million in Minimum Guarantee apportionments. This compares to $62.1 million in FY 2000.





* $402.7 million plus $63.9 million = Total Obligation Authority of $466.6 million

FEDERAL FUNDING FOR ARIZONA

Other Allocations

Other allocations received in FY 2001 totaled $29.7 million. This compares to $21.6 million in FY 2000. Arizona was allocated $20.0 million for the Hoover Dam project during FY 2001. ADOT will be sending these funds to the Central Federal Lands Highway Division, which is coordinating the work on this project. Arizona also received $3.0 million in Federal Emergency Relief funds for the repair of damage to Federal-aid highways resulting from flooding.

Other allocations include National Corridor Planning/Coordination Border, Indian Reservations, Scenic Byways, Local Transportation Assistance Program, Tax Evasion, Minority Business Program, Intelligent Transportation and Motor Carrier.

Other Allocations
(Dollars in thousands)

INDIAN RESERVATIONS	$439
SCENIC BYWAYS	146
TAX EVASION	13
LOCAL TRANS. ASSISTANCE PROG	125
MINORITY BUSINESS PROGRAM	130
BORDER CROSSING (CNMX)	95
INTELLIGENT TRANS. SYSTEMS	20
NATL CORRIDOR PLAN/COOR BORD	1,548
INTELLIGENT TRANS. SYS - DEPLOY	992
EMERGENCY RELIEF	3,000
EMERGENCY RELIEF (FED LANDS)	449
MOTOR CARRIER	2,773
MOTOR CARRIER SAFE/INFO SYS	45
HOOVER DAM	19,956
TOTAL FY 2001 ALLOCATIONS	**$29,731**

Hoover Dam Funding
(Dollars in thousands)

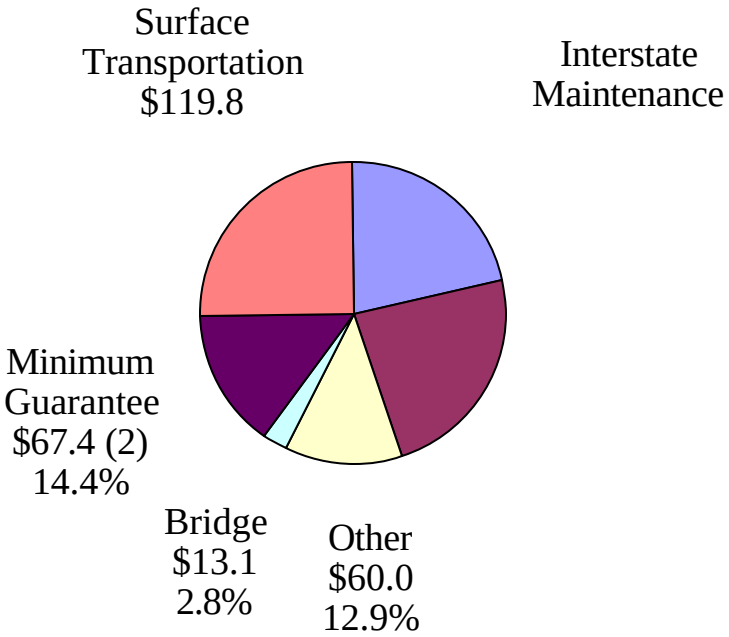
FY98	HIGH PRIORITY PROJECTS (Sec 1602)	$4,518
FY99	HIGH PRIORITY PROJECTS (Sec 1602)	6,161
	NATIONAL CORRIDOR (Sec 1118)	2,000
FY00	HIGH PRIORITY PROJECTS (Sec 1602)	7,394
	PUBLIC LANDS DISCR (Sec 1115)	6,000
	PUBLIC LANDS DISCR (Sec 1115)	4,000
	NATIONAL CORRIDOR (Sec 1118)	2,000
	MILITARY CONST BILL (PL 106-246)	3,000
FY01	HIGH PRIORITY PROJECTS (Sec 1602)	7,394
	HOOVER DAM DEMO (Sec 378)	19,956
*FY02	HIGH PRIORITY PROJECTS (Sec 1602)	7,804
*FY03	HIGH PRIORITY PROJECTS (Sec 1602)	7,804
TOTAL HOOVER DAM FUNDING		**$78,031**

*Sec 1602 funds are included in Apportionments and aredistributed over the 6 years of TEA-21

ARIZONA
FEDERAL FUNDING SOURCES
FY 2001

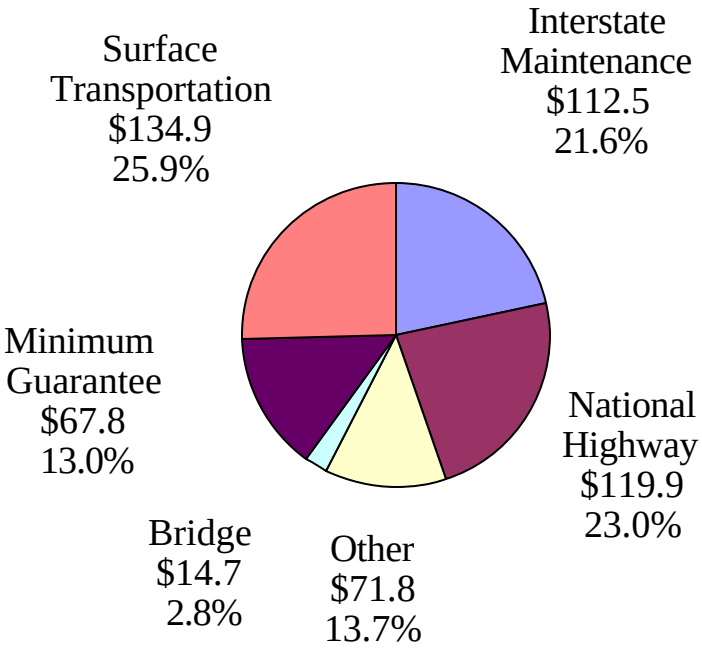
TOTAL OBLIGATION AUTHORITY

($466.6m) (1)



TOTAL APPORTIONMENTS

($521.6m)



(1) Obligation Authority is shown by program category although it is not limited to a specific program.

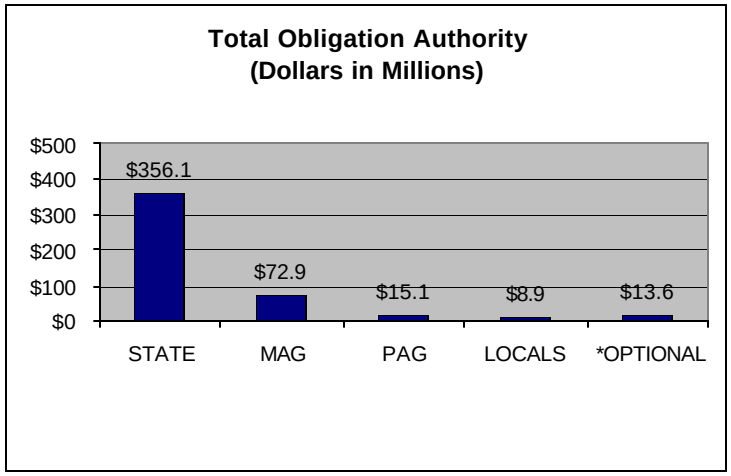
(2) Reflects Obligation Authority limitation on $3.9m as noted on page 6.

NOTE: Total Obligation Authority does not include other miscellaneous allocations.

ARIZONA
FEDERAL FUNDS DISTRIBUTION
STATE, MARICOPA, PIMA AND LOCALS
FY 2001

TOTAL OBLIGATION AUTHORITY

($466.6m)



TOTAL APPORTIONMENTS

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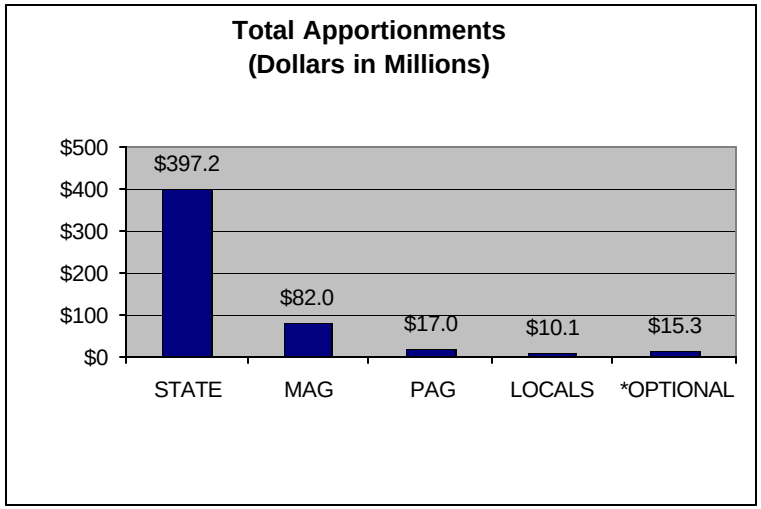

* Optional use of Transportation Enhancement, Safety and Bridge funds are available to Metropolitan Planning Organizations (MPOs) and Council of Governments (COGs) on a first come-first served basis

ARIZONA
APPORTIONMENTS, OBLIGATION AUTHORITY & REIMBURSEMENTS
(Includes Minimum Guarantee & High Priority Projects)

FEDERAL FISCAL YEAR	APPORTIONMENTS END FY 09/30		OBLIGATION AUTHORITY END FY 09/30 (1)	TOTAL O.A. %	REIMBURSEMENTS	ADDITIONAL OBLIGATION AUTHORITY		UNOBLIGATED BALANCE OF APPORTIONMENTS
1991-92	$233,101,550		$238,218,749	102.20%	$152,300,073	$8,168,587		
1992-93	252,834,626		221,392,942	87.56%	179,740,061	6,573,820		
1993-94	250,989,265		240,788,537	95.94%	245,913,123	8,324,000		
1994-95	265,186,888		252,757,024	95.31%	213,379,038	6,121,044		
1995-96	219,882,709		235,657,919	107.17%	232,645,266	5,737,471		
1996-97	300,114,264	*	282,854,998	94.25%	294,640,603	19,489,270	**	
1997-98	352,565,695		318,639,756	90.38%	259,394,779	4,727,085		
1998-99	433,407,164		384,609,615	88.74%	432,737,810	2,389,596		
1999-00	475,048,758	*	418,113,461	88.01%	412,173,350	4,915,687	**	
2000-01	521,578,989		466,560,234	89.45%	459,056,486	4,979,716		$376,271,128

NOTE: DOES NOT INCLUDE OTHER ALLOCATIONS

(1) OBLIGATION AUTHORITY DATA INCLUDES ADDITIONAL OBLIGATION AUTHORITY RECEIVED THROUGH RE-DISTRIBUTION AFTER AUGUST 1ST.

* INCLUDES $2,870,615 IN ADDITIONAL FY96 APPORTIONMENT BY THE U.S. TREASURY DEPARTMENT WHICH RESULTED IN CHANGES DUE TO REVISED FY 1994 HIGHWAY TRUST FUND INCOME STATEMENTS RECEIVED BY FHWA. FY00 INCLUDES $2,632,692 FOR FY97 CORRECTION.

** INCLUDES $12,007,562 CORRECTION BY THE U.S. TREASURY DEPARTMENT WHICH RESULTED IN CHANGES TO THE FY94 AND FY95 HIGHWAY TRUST FUND INCOME STATEMENT. FY00 INCLUDES $1,447,719 FOR FY97 CORRECTION.

FEDERAL-AID HIGHWAY PROGRAM CHARACTERISTICS

Fund	Weight	Apportionment Formulas	Period Available	Federal Share %	Transferability
Interstate Maintenance	33.33%	Total lane miles on Interstate System routes open to traffic in each State as a percent of the total of such lane miles in all States	FY + 3 Years	94.34	Up to 50% of apportionments may be transferred to NHS, STP, CMAQ and the Bridge program
	33.33%	Total vehicle miles traveled (VMT) on Interstate System routes open to traffic in each State as a percent of such VMT in all States			
	33.33%	Total of State's annual contributions to the Highway Trust Fund attributable to commercial vehicles as a percent of the total of such annual contributions by all States			
National Highway System	25%	Total lane miles of principal arterials (excluding Interstate System) in each State as a percent of total such principal arterial lane miles in all States	FY + 3 Years	94.30	Up to 50% of apportionments may be transferred to IM, STP, CMAQ and the Bridge program. Up to 100% may be transferred to STP, if approved by the Secretary and if sufficient notice & opportunity for public comment is given
	35%	Total vehicle miles traveled (VMT) on lanes of principal arterials (exc. Interstate System) in each State as a percent of total VMT on lanes of such principal arterials in all States			
	30%	Diesel fuel used on all highways in each State as a percent of diesel fuel used on all highways in all States			
	10%	Total lane miles of principal arterials in each State divided by total population in each State as a percent of such ratio for all States			

FEDERAL-AID HIGHWAY PROGRAM CHARACTERISTICS

Fund	Weight	Apportionment Formulas	Period Available	Federal Share %	Transferability
Surface Transportation Program	25%	Total lane miles of Federal-aid highways (FAH) in the State as a percent of total FAH lane miles in all States	FY + 3 Years	94.30	Transportation Enhancement set aside - up to 25% of the difference between the amount set aside for TE for the FY and the amount set aside for TE FY97 may be transferred to IM, CMAQ, NHS and Bridge
	40%	Total vehicle miles traveled on lanes of FAH in the State as a percent of total VMT on lanes of FAH in all States			Safety set aside - up to 25% of the difference between the remainder of the safety set aside for the FY- the optional safety funds- and the comparable amount for FY97 may be transferred to IM, CMAQ, NHS and Bridge
	35%	Estimated tax payments attributable to highway users in the State paid into the Highway Trust Fund in the latest fiscal year for which data are available, as a percent of total such payments by all States			
STP sub allocations		Retains 10% set aside for Safety construction			No transfer provision of sub allocations (See above for Transportation Enhancement and Safety)
		Retains 10% set aside for Transportation enhancements			
		Retains set aside for urbanized areas with populations over 200,000			
		Retains the special rule for areas of less than 5,000 population			

FEDERAL-AID HIGHWAY PROGRAM CHARACTERISTICS

Fund	Weight	Apportionment Formulas	Period Available	Federal Share %	Transferability
Bridge Program	1	Each State's relative share of the total cost to repair or replace deficient highway bridges. Guaranteed minimum of .25%, maximum of 10%	FY + 3 Years	80.00	Up to 50% of apportionments may be transferred to IM, NHS, STP and CMAQ.
Congestion Mitigation & Air Quality Program	1	Population & severity of pollution	FY + 3 Years	94.30	Minor amount may be transferred if certain requirements are met.
Metropolitan Planning	1	Ratio of urbanized population in each State to the total nationwide urbanized area population	FY + 3 Years	80.00	No transfer provision
Planning & Research	1	2 % of IM, NHS, STP, Bridge and CMAQ apportionments	FY + 3 Years	80.00	No transfer provision
Minimum Guarantee	1	Ensures that each state receives at least 90.5% return on its share of contributions to the Highway Trust Fund	Same as fund category to which funds are allocated	Program applicable	Can be expended on any eligible program

FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

PROGRAM DESCRIPTION	FY01 ARIZONA OBLIGATION AUTHORITY	FY01 NATIONAL APPORTIONMENTS
NATIONAL HIGHWAY SYSTEM - The National Highway System includes 163,000 miles of rural and urban roads serving major population centers, international border crossings, intermodal centers, intermodal transportation facilities and major travel destinations. Arizona's portion of the NHS includes 2,674 miles, which is made up of the Interstate System and other high traffic volume highways in the state. Funds can be used for construction, reconstruction, resurfacing, restoration and rehabilitation, and safety improvements.	$106.4	$6,175.7
INTERSTATE MAINTENANCE - The Interstate Maintenance Program provides funding for resurfacing, restoring, rehabilitating and reconstructing routes on the Interstate System. The Interstate System is also part of the National Highway System.	$99.9	$5,006.9
SURFACE TRANSPORTATION PROGRAM - The STP Program provides flexible funding that may be used by states and local governments on any Federal-aid highway, including NHS, bridge projects on any public road, transit capital projects and intracity and intercity bus terminals and facilities. A portion of funds reserved for rural areas may be spent on rural minor collectors.	$95.8	$5,794.7
STP SET-ASIDE FOR SAFETY IMPROVEMENTS - Once the STP funds are allocated to the states, 10% of the amount is set-aside for safety construction activities (hazard elimination and railroad-highway crossing improvements).	$12.0	$724.3

FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

PROGRAM DESCRIPTION	FY01 ARIZONA OBLIGATION AUTHORITY	FY01 NATIONAL APPORTIONMENTS
STP SET-ASIDE FOR TRANSPORTATION ENHANCEMENTS - Once the STP funds are allocated to the states, 10% of the amount is set-aside for transportation enhancement projects. Transportation enhancements are transportation related activities that are designed to strengthen the cultural, aesthetic and environmental aspects of the Nation's intermodal transportation system. The Transportation Enhancements Program provides for the implementation of a variety of non traditional projects, with examples ranging from the restoration of historic transportation facilities, bike and pedestrian facilities, to landscaping and scenic beautification, to the mitigation of water pollution from highway runoff.	$12.0	$724.3
MINIMUM GUARANTEE - The Minimum Guarantee provides funding to states on equity considerations. This includes specific shares of overall program funds and a minimum return on contributions to the Highway Account of the Highway Trust Fund. All states are guaranteed a minimum 90.5% share of Highway Trust Funds designated to their share.	$67.4	$2,800.0
CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM - The Congestion Mitigation and Air Quality Improvement Program funds projects and programs in air quality nonattainment and maintenance areas for ozone, carbon monoxide and small particulate matter which reduce transportation related emissions.	$35.1	$1,765.2

FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

PROGRAM DESCRIPTION	FY01 ARIZONA OBLIGATION AUTHORITY	FY01 NATIONAL APPORTIONMENTS
HIGH PRIORITY PROJECTS - This program authorized 1,850 High Priority projects throughout the country totaling over $9.3 billion over a six-year period. The funds are allocated to the states by project according to an allocation schedule over the six-year period. The schedule begins with 11% the first year, 15% the second year, 18% the next two years and 19% the final two years.	$10.6	$1,785.9
HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION PROGRAM - The Highway Bridge Replacement and Rehabilitation Program provides funds to assist the states in projects to replace or rehabilitate deficient highway bridges and to seismic retrofit bridges located on any public road.	$13.1	$4,299.2
SAFEY INCENTIVES (0.08 BAC) - Provides funding to states that have enacted 0.08 percent Blood Alcohol Concentration (BAC) as the legal limit for drunk driving offenses.	$1.9	$87.5
RECREATIONAL TRAILS PROGRAM - The Recreational Trails Program provides funds to develop and maintain recreational trails for motorized and nonmotorized recreational trail users.	$0.8	$49.3

FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

PROGRAM DESCRIPTION	FY01 ARIZONA OBLIGATION AUTHORITY	FY01 NATIONAL APPORTIONMENTS
STATE PLANNING AND RESEARCH PROGRAM - Planning of future highway programs and local public transportation systems. Research, development and technology transfer activities necessary in connection with the planning, design, construction and maintenance of highway, public transportation and intermodal transportation systems. These funds are a 2 percent set-aside from certain Federal-aid funds apportioned to a state.	$8.9	$556.9
***NATIONAL CORRIDOR PLANNING AND DEVELOPMENT PROGRAM & COORDINATED BORDER INFRASTRUCTURE PROGRAM -** TEA-21 authorized $140 million for each of fiscal years 1999-2003 for the National Corridor Planning and Development and Coordinated Border Infrastructure Programs. Allocations are made to states to coordinate planning, design and construction of corridors of national significance, economic growth and international or interregional trade.	$1.5	$122.9
METROPOLITAN PLANNING FUNDS - Metropolitan Planning funds are available for Metropolitan Planning Organizations (MPOs) to carry out the metropolitan transportation planning process required by Title 23, United States Code, including development of metropolitan area transportation plans and transportation improvement programs.	$2.7	$192.5

FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

PROGRAM DESCRIPTION	FY01 ARIZONA OBLIGATION AUTHORITY	FY01 NATIONAL APPORTIONMENTS
***MOTOR CARRIER SAFETY ASSISTANCE PROGRAM -** The objective of the MCS Assistance Program is to reduce the number and severity of accidents and hazardous material incidents involving commercial motor vehicle through state implementation of a balanced program of enforcement, education and crash data analysis. A portion of the annual authorization is earmarked for grants. The remaining funds are allocated by formula to the states.	$2.8	$144.9
***INTELLIGENT TRANSPORTATION SYSTEM -** TEA-21 authorized a Technology Deployment Initiative and Partnerships Program to significantly accelerate the adoption of innovative technologies by the surface transportation community. The Research and Development program is to carry out a comprehensive program of intelligent transportation system research, development and operational tests of intelligent vehicles and intelligent infrastructure systems.	$1.1	$93.9
***AUTHORIZATION TO STATES WITH INDIAN RESERVATIONS -** Section 1212(d) of TEA-21 provides additional funding for states that have within their boundaries all or part of an Indian reservation having a land area of 10,000,000 acres or more. The only Indian reservation meeting this criterion is the Navajo Nation Reservation in Arizona, New Mexico and Utah. The available funds are equally divided among the three states. Each county within any of these three states, that has a public road that meets certain criteria, is eligible to apply for the funds.	$0.4	$1.3

FEDERAL-AID HIGHWAY CONSTRUCTION PROGRAMS

(Dollars in Millions)

PROGRAM DESCRIPTION	FY01 ARIZONA OBLIGATION AUTHORITY	FY01 NATIONAL APPORTIONMENTS
***NATIONAL SCENIC BYWAYS PROGRAM -** The National Scenic Byways Program provides for the designation by the Secretary of Transportation of roads that have outstanding scenic, historic, cultural, natural, recreational and archaeological qualities as All-American Roads or National Scenic Byways. The program also provides discretionary grants for scenic byway projects on All-American Roads, National Scenic Byways or a state designated scenic byway and for planning, designing and developing state scenic byway programs.	$0.1	$20.5
***LOCAL TECHNICAL ASSISTANCE PROGRAM -** The purpose of this program is to provide training and technical assistance to rural, small urban and tribal governments on roads, bridges and public transportation. Under TEA-21, LTAP received $7 million contract authority for FY 1998 and 99, $8 million for FY 2000, $9 million for FY 2001 and $10 million for FY 2002 and 03.	$0.1	$9.0
***MISCELLANEOUS ALLOCATIONS -** Tax Evasion $13,000 Minority Business Program $130,000, Border Crossing $95,000, Emergency Relief $3.0m, Emergency Relief (Fed Lands) $448,983 and Hoover Dam $20.0m.	$23.7	N/A

*Formula allocations