

Information Item

DATE: April 20, 2016
TO: Transportation Advisory Board Executive Committee
PREPARED BY: Amy Vennewitz, Deputy Director, MTS, 651-602-1058
SUBJECT: Federal Funds Reallocation 2016-2019

Typical Annual Regional Federal Funds Programming and Reallocation Process

- MnDOT provides regional revenue “targets” for Surface Transportation Block Grant (STBG) funds, including a set-aside for bicycle and pedestrian projects, and Congestion Mitigation Air Quality (CMAQ) funds that are used in the Regional Solicitation process.
- Projects are programmed through the Regional Solicitation assuming these revenue levels, with some “over-programming” in anticipation of projects that might be withdrawn or that do not use their full federal award due to scope changes or projects that come in under budget. Over-programming is typically in the range of 5% of total regional funding or about \$4-\$5 M per year.
- In the worst case scenario, if adequate funding is not available in the current program year, a project sponsor may be asked to move a programmed project to the following year. (This has not occurred in recent history.)
- If additional federal funds become available in the current program year (i.e. currently FFY 2016, October 1, 2015 – September 30, 2016) above what is programmed in the TIP, the TAB’s federal funds reallocation policy calls for the following:
 - If the funds are available in the current program year the funds are allocated first to pay-off advance construction (AC) from future program years. (AC occurs when a project is constructed in a year prior to its federal award. When a project is AC’d the project sponsor up-fronts the funding for the project and is then repaid in the year that the federal funds are programmed.)
 - If funds remain after paying off AC, it is determined whether projects in a future program year can move forward into the current program year. (This action has the effect of moving the available funds into a later year with the potential that they could be included in a future Regional Solicitation process.)
 - If all AC is paid off and no future projects are able to move forward, the funds are spread proportionately to projects that have less than 80% federal funding. While this action assures that all federal funds are programmed, it also results in projects receiving more than the \$7M award maximum (a local rule that applies to the Regional Solicitation), generally benefits larger projects and does not “buy” any additional projects.

- The above list first considers projects in the same mode as the withdrawn or turned back funds, and then considers projects in other modes if funds are still available.
- If additional federal funds become available in a future program year (i.e. FFY 2017 and beyond) above what is programmed in the TIP, the TAB's federal funds reallocation policy calls for the following:
 - Staff provides potential options to TAC Funding and Programming, TAC and TAB for review and decision-making.
 - The first priority of the options is to include the funds in a future Regional Solicitation if possible.
 - Other options for TAB to consider will include paying off available AC, moving projects in a future program year forward or identifying special projects or other regional projects that for various reasons are not funded or fully funded and that will not move forward without TAB action.

Recent Impacts on 2016-2019 TIP Program

- A combination of factors including: 1) the recent passage of the FAST Act with its increased funding levels, 2) project withdrawals, 3) projects closing out under-budget, and 4) increased federal funds for Minnesota due to national redistributions, have had a significant positive impact on the amount of federal funding available to the region in both the current program year and future program years.
- The amount of new federal funding that is estimated to be available exceeds the level of over-programming in the TIP in each of the program years (2016-2019) and will require a reallocation of federal funds under the TAB reallocation policy.

2016 Program Year Funds

- When accounting for the increased funding, project withdrawals and over-programming in the current program year, 2016, it appears that approximately \$13.7M in new funding is available to the region.
- However, because the federal fiscal year is already over half complete, and in accordance with the TAB Federal Funds Reallocation policy for the current program year, the increased funding has been applied to AC pay-back scheduled in both 2017 (approximately \$10.4 M) and 2018 (approximately \$3.3M).
- The early AC pay-off results in this level of funding becoming available in future program years.
- The 2016 program year is balanced after the AC pay-back.

2017 Program Year Funds

- For 2017, the next program year, it appears that on the order of \$17-\$18M in federal funding might be available for re-programming (including the \$10.4M in AC pay-back).
- While technically 2017 is a future program year, this is a very large amount of funds to reallocate in a short amount of time. In addition, MnDOT and the Council are currently working on publishing the new draft STIP and TIP, respectively, for 2017-2020 for

- public review and comment with final Council adoption in September. The U.S. DOT's strong preference is that all projects in the first year of the TIP be identified (i.e. no placeholders).
- Final decisions on the next Regional Solicitation will not occur until early CY2017, well after the final TIP is adopted. Therefore 2017 funds cannot be included in the next Regional Solicitation.
 - MnDOT has indicated that approximately \$6.75M in available AC pay-back remains in 2018.
 - At this time MnDOT has been asked to assume this pay-back, moving the \$6.75M to be available in the 2018 program year and leaving approximately \$11M in un-programmed federal funds still available in 2017.
 - At this time, staff recommends the following actions for the available 2017 funds:
 - That TAB approve moving the 2018 AC pay-back to 2017 and directs staff to prepare additional options for spending the remaining 2017 federal funds
 - The options will be reviewed by TAC Funding & Programming, TAC and come before TAB for decision-making this summer.
 - That a place-holder be included in program year 2017 of the draft TIP with the expectation that the projects recommended for funding be included in the final TIP in August.

2018 and 2019 Program Year Funds

- At this time the amount of federal funds projected to be available in 2018 and 2019 is still in flux and is highly dependent on the final actions for 2016 and 2017. It currently appears that on the order of \$15M will be available in 2018, along with a lesser amount on the order of \$6-\$7M in 2019.
- These numbers will continue to change due to additional project withdrawals, scope changes and other actions.
- The available 2018 and 2019 funds will be included in the next Regional Solicitation.
- Place-holders using the most current funding estimates will be included in the 2017-2020 TIP with projects to be amended into the TIP upon later identification.
- In the event that the Regional Solicitation does not result in enough projects able to use the available funds in 2018 and 2019, staff will prepare additional options for consideration next year in accordance with the Federal Funds Reallocation policy.