

**ACTION TRANSMITTAL No. 2015-07**

**DATE:** February 11, 2015  
**TO:** TAC Funding and Programming Committee  
**PREPARED BY:** Joe Barbeau, Senior Planner (651-602-1705)  
**SUBJECT:** Federal Funding Reallocation Policy  
**REQUESTED ACTION:** The Federal Funding Reallocation Work Group requests that TAB adopt the Federal Funding Reallocation Policy.  
**RECOMMENDED MOTION:** Recommend approval of the Federal Funding Reallocation Policy.

**BACKGROUND AND PURPOSE OF ACTION:** In December 2012, the TAB approved a new Program Year Policy that eliminates the sunset date beginning with projects currently programmed in 2014 while providing for a process to request a one-year program year extension.

With the new federal transportation legislation, MAP-21, funding is tied more directly to specific funding programs with specific outcomes, performance measures and targets, resulting in more difficulty in shifting funds to different years. MnDOT is no longer able to shift federal funds from programs under their control to accommodate program year changes among regionally-selected projects.

A Federal Funding Reallocation Work Group was established to accomplish the following charge:

1. Assess current policy on federal funding reallocation in light of MAP 21 changes and project timing needs.
2. Document examples of recent reallocations.
3. Establish proposed principles for funding reallocations.
4. Develop options to manage funding reallocations.

The group's efforts resulted in the attached policy proposal, which is based on the following guiding principles:

- Be sure to spend all available funds in the region.
- Fund or advance projects selected through the regional solicitation process first
- Resolve issues as soon as possible (so as not to "reward" dropping projects at the last minute).
- Projects, not agencies, are funded.
- Maintain transparency and inclusiveness.
- Maintain fairness and geographic balance.
- Use a performance-based evaluation.
- Use a solicitation only if there is enough time and adequate funding to warrant one.
- Reward project readiness.
- Keep funding within the same mode when possible.
- Be practical. Make sure there is a reasonable expectation of delivery.

**RELATIONSHIP TO REGIONAL POLICY:** Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21), the federal transportation bill signed into law in 2012, reduces the ability for federal funds to be deferred to subsequent years. Therefore, it is important for the Council to have a simple and consistent policy for reallocating funds when projects are delayed or withdrawn. In December 2012, the TAB approved a new Program Year Policy that eliminates the automatic additional sunset year beginning with projects programmed in 2014 while providing for a process to request a one-year program year extension for extenuating circumstances.

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**ROUTING**

<b>TO</b>	<b>ACTION REQUESTED</b>	<b>DATE COMPLETED</b>
TAC Funding & Programming Committee	Review & Recommend	
Technical Advisory Committee	Review & Recommend	
Transportation Advisory Board	Review & Adopt	

## TAB Federal Funds Management Process

Regionally selected projects (i.e. those projects selected by TAB through the regional solicitation process) in the Twin Cities TIP can be advanced or deferred based on TAB policy, project deliverability and funding availability, provided fiscal balance is maintained. The process assumes some projects will be deferred, withdrawn, or advanced. This process establishes policy and priority in assigning alternative uses for federal transportation funds when TAB-selected projects in the TIP are deferred, withdrawn, or advanced. This process also addresses the distribution of the limited amount of federal funds available to the region at the end of the fiscal year, known as “August Redistribution.” This process does **not** address how to distribute new federal dollars available through larger, specific programs (i.e., ARRA). TAB will make separate decisions specific to those kinds of programs and timing.

### Current Program Year Funds

For funding that is available due to project deferrals or withdrawals, the funds shall be reallocated as shown in the below priority order. When there is insufficient time to go through the TAB committee process, TAB authorizes staff (Minnesota Department of Transportation (MnDOT) Metro District State Aid or Metropolitan Council Grants Department, as appropriate), working with the TAB Coordinator, to reallocate funds to projects that have been selected through the regional solicitation per the below priorities on TAB’s behalf.

Reallocation priorities for available funding programmed for the current fiscal year:

1. Regionally selected projects in the same mode slated for advanced construction/advanced construction authority (AC/ACA)<sup>1</sup> payback that have already advanced because sponsors were able to complete them sooner. If more than one project is slated for AC/ACA payback, the projects using the smallest amount of federal funding will be funded first. Partial AC/ACA payback can be paid on a project up to available levels of funds.
2. Projects in the same mode slated for AC/ACA payback that have been moved due to previous deferrals. If more than one project is slated for AC/ACA payback, the projects using the smallest amount of federal funding will be funded first. Partial AC/ACA payback can be paid on a project up to available levels of funds.
3. Regionally selected projects in the same mode that are able to be advanced.
4. Pro-rate remaining federal funds to regional solicitation current program year projects in the same mode in the original program year up to the maximum 80%.
5. Select a regionally-selected project(s) from another mode to pay back or advance using steps 1-4 above. Should this action be used, TAB shall consider the amount when addressing modal distribution in programming the next regional solicitation.

### Future Program Year Funds

The vast majority of project deferrals and withdrawals will be in the current program year. However, even current year withdrawals may affect future year funding by advancing a project from a future year into the current year. For future-year funds, the TAB Coordinator will work with MnDOT Metro State Aid and/or Metro Transit Grants staff, Metropolitan Council staff and

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<sup>1</sup> Note: Advanced construction (AC) is used for Federal Highway Administration-funded projects. Federal Transit Administration-funded projects use advanced construction authority (ACA).

project sponsors to provide a set of options to be considered by the TAC Funding & Programming Committee, TAC, and TAB.

The first priority for use of future-year funds will be to include the funds in a future TAB solicitation process if at all possible. When not possible, TAB should first consider items 1-3 and 5 from the above list. It can also consider other options such as selecting an unfunded project from the most recent regional solicitation<sup>2</sup> that could be delivered within the required timeframe. Other options could include setting up a special solicitation, depending on the amount of funds and time available, or other measures as TAB deems appropriate to address unique opportunities. TAB will consider the established “Guiding Principles” in making its decisions.

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<sup>2</sup> Note that projects must be selected prior to December 1 of the program year.