

ACTION TRANSMITTAL No. 2016-25

DATE: May 12, 2016

TO: TAC Funding and Programming Committee

PREPARED BY: Joe Barbeau, Senior Planner (651-602-1705)

SUBJECT: Policy and Process to Exchange Federal Funds Between Projects

REQUESTED ACTION: The Federal Funds Exchange Work Group requests that the Transportation Advisory Board (TAB) adopt the Attached Policy and Process to Exchange Federal Funds Between Projects

RECOMMENDED MOTION: That the TAC Funding & Programming Committee recommend to TAC adoption of the attached Policy and Process to Exchange Federal Funds Between Projects

BACKGROUND AND PURPOSE OF ACTION: In recent months, two recipients of TAB-awarded STPBG funds have moved federal funds from smaller projects to larger projects, leaving the former free of federal funding. This provides several advantages in terms of local expense and staff time.

Following the requests to move those funds. A work group was established to advise staff on these requests and establish a long-term policy and process for future requests. The work group created the attached policy and process for TAB consideration. The draft reflects members' concern that all projects must be completed on time and as applied for in the Regional Solicitation application. Under the proposed policy and process, any time a TAB-selected project is not completed, the amount of federal funds programmed to it will be returned to the region. All TAB-selected projects, even if federal funds have been removed, are subject to the Council's scope change and program year policies. The policy and process were provided to the Committee, TAC, and TAB as an informational item.

RELATIONSHIP TO REGIONAL POLICY: TAB develops and issues a Regional Solicitation for federal funds. In programming those funds, TAB sets the expectation that all awarded projects will be funded as proposed and on-time with exceptions made only through the scope change or program year policies.

ROUTING

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

POLICY AND PROCESS TO EXCHANGE FEDERAL FUNDS BETWEEN TAB-SELECTED PROJECTS

OVERVIEW

Projects selected through the TAB Regional Solicitation and HSIP processes are awarded federal funds and are therefore subject to federal requirements that can cost an agency considerable time and money. When conditions are right, an agency may approach TAB to request a federal funds exchange. This entails transferring federal obligation authority from one project to another project that already has federal obligation authority, allowing the former project to proceed without adherence to some federal requirements.

POLICY

Project Sponsors:

- Project sponsors must voluntarily agree to participate in the funds exchange, be it on their own or another sponsor.
- One sponsor may facilitate an exchange of by shifting federal funds from one or more of its projects to one or more of its other projects.
- One sponsor may trade federal funds from one or more of its projects by working with other sponsor(s) to absorb federal funds, in exchange for local funding.
- TAB will not recognize agreements for “future consideration” (i.e., TAB will not enforce an agreement for one sponsor to “return the favor” to another sponsor at a future time).
- All sponsors involved with a federal funds exchange request must provide a resolution agreeing to be responsible for the projects, the projects’ timing, and the risks.

Funding:

- All federally funded projects must maintain the federally required minimum local match (usually 20%, but 10% for Highway Safety Improvement Program).
- All funds transfers shall be one-to-one in terms of funding amount.
- All transferred funds must be eligible to be used on the project they are proposed to fund.
- If federal funds are transferred to a project with an earlier program year, the sponsor must advance construct (AC) the project and be reimbursed in the year to which the funds are assigned in the TIP. A TIP amendment is required to reflect the use of AC.
- Federal funds cannot be transferred to a future year, as this would put a burden on TAB to redistribute funds.
- If State Aid funds are to be exchanged for federal aid funds, transfers can only occur county-to-county or city-to-city.

Projects with Federal Funding Removed:

- All TAB-selected projects must be completed with all elements, and in the time frame, shown in the original application for funding, notwithstanding a deviation approved by the TAB Scope Change Consultation and Evaluation processes. This process accounts for changes (which are products of the applicable environmental process) to the scope of project elements as portrayed in the original application for funding. MnDOT Metro District State Aid or Metropolitan Council Transit Grants, depending on the project, will continue to monitor all TAB-selected projects to assure that they are completed consistent with the application and with policy.

- All TAB-selected projects, even if federal funds have been removed, are subject to TAB's Scope Change Consultation and Evaluation processes. Project sponsors must consult with MnDOT Metro District State Aid or Metropolitan Council Transit Grants, depending on the project, in order to seek permission to deviate from the approved scope.
- All TAB-selected projects, even if federal funds have been removed, are subject to TAB's Program Year Policy.
- Should a TAB-selected project be withdrawn or otherwise unable to be completed, the project sponsor must return its federal funding for regional redistribution. The sponsor's resolution must state that the full funding amount will be provided to the region.

PROCESS

1. Applicant submits a federal funding exchange request. While it is encouraged, and to the sponsor's advantage to submit a request as early as possible, the deadline for requests is December 31 of the state fiscal year prior to the program year associated with the earliest-programmed project involved in the transfer. For example, an exchange involving a project programmed in fiscal year 2019 must be requested by December 31, 2017.
2. Applicant provides a proposal to Metropolitan Council and MnDOT Metro State Aid. The proposal must include the following:
 - Description and funding table showing projects giving up and absorbing the federal funds. Amount and source of funds must be shown as well.
 - Resolution from the governing board of any agencies involved with the exchange. The resolution must include:
 - Identification of any projects proposed to be involved in the exchange. Funding amounts must be included
 - Source(s) of non-federal funds.
 - Commitment to authorizing all TAB-selected projects in the program year identified in the TIP.
 - Acknowledgement that all TAB-selected projects will comply with all MnDOT State Aid or Metropolitan Council Transit Grants project requirements.
 - Acknowledgement that all TAB-selected projects will be completed with the scope and timing proposed in the original application and that MnDOT State Aid and/or Metropolitan Council Transit Grants will monitor the project to assure that this happens.
 - Acknowledgement that all TAB-selected projects are subject to TAB's scope change policy.
 - Guarantee that should they fail to deliver part or all of the TAB-funded projects, federal funding will be turned back to the region for distribution to other regional projects.
 - Acknowledgment of any project advancement and advanced construction that needs to occur.
 - Guarantee that the project will be delivered using the local State Aid process or Metropolitan Council Transit Grants process.