



MEMORANDUM

TO: Southwest Washington Regional Transportation Council Board of Directors
FROM: Matt Ransom, Executive Director *MR*
DATE: August 30, 2016
SUBJECT: **YR 2020 Regional Grants: TIP Programming Guidebook - Project Obligation Policy Revisions**

ATA GLANCE

RTC Board is presented potential changes to obligation policies contained in the Transportation Programming Guidebook. The obligation policy changes are needed in response to revised state policies. The final action on the revised obligation policies will occur at the October 4, 2016 RTC Board meeting.

INTRODUCTION

The Transportation Programming Guidebook was adopted by the RTC Board at their June 2016 meeting. The Guidebook brings the overall regional Transportation Improvement Program (TIP) and regional grant process into one document and clarifies policies.

To date, RTC staff has alerted the Board and RTAC that obligation policy changes are needed in response to revised state policies, and also because the pace of regional obligation is near or exceeds authorized levels. In response, RTC staff had to place an interim freeze on the obligation of CMAQ project in 2016 and is recommending that RTC's Obligation Policies be revised to allow for the systematic obligation of regionally selected projects based on selection year.

Staff will present RTAC with recommended policy revisions as the September RTAC meeting and will return for final at the October 4, 2016 RTC Board meeting.

FEDERAL AND STATE POLICIES

The following summarizes federal and state policies that impact the regions obligation of federal funds:

- 1) *TIP must be financially constrained by year* (Federal Policy): RTC can only program projects in the TIP for years with available financial resources. If the region has obligated a year in advanced, no projects can be programmed in the first year of the TIP.
- 2) *Regional Management of federal funds* (State Policy): In 2012, the State placed responsibility on MPO's to manage the obligation of federal funds within region.
- 3) *Transfer Policy limited to projects in first year of TIP* (State Policy): In 2016, the State instituted a new transfer policy that only allows transfer of Federal Highway funds to other programs (ie. Federal Transit Administration programs) if projects are listed in the first year of the TIP.

- 4) *Two-year limit on advance obligation (State Policy):* Reaching the two-year obligation limit would result in the immediate stop of all obligations.

RTC staff concerns about the accelerated pace of regional obligation levels was identified almost two years ago, and has been discussed at RTAC and RTC Board meetings. RTAC felt local agencies could self-manage the situation, but this has not worked. The region must revise our obligation policies or federal and state policies will result in the inability of the region to obligate critical projects.

It is important to note, that although RTC's policy allowed for the early obligation of projects on a first come basis, this was never a guarantee. RTC's call for projects has always been for anticipated funding in the fourth year of the next TIP. The early obligation of projects over the last several years has been a great benefit for local projects, but is not sustainable.

REVISED OBLIGATION POLICIES

The new policies will not remove any funds from existing programmed projects and will only impact when funds will be available based on the year the project was selected for funding. Only projects listed in the first two-years of the TIP can proceed with obligation. The following are the revised policies:

- 1) The first two-years of the TIP are selected and are considered to be the regionally agreed to list of projects. This means that only projects programmed in the first two years of the TIP can proceed with obligation.

Previous policy was four-year project selection. The new policy will only allow projects to be obligated up to one-year early, rather than three-years early.

- 2) Project phase obligation date is tied to the year of project selection.

Previously grant applicants could have requested funds in the first year of the TIP. The new policy will program new projects in the fourth year of the TIP.

- 3) Projects are limited to \$4 million in regional federal funds regardless of length, with an annual maximum award of \$2.5 million.

Previously grant applicants could request up to \$4 million in one year and use all of the annual allocation for a program. The new policy will limit an annual request to \$2.5, allowing more projects to proceed towards implementation in any given year.

These new policies are expected to allow the region to meet our annual obligation limit, without the risk of the region conflicting with state and federal policies. This systematic obligation approach will provide assurance of funding availability to all projects programmed in the TIP.