

Office of Regulatory Management
Economic Review Form

Agency name	Commonwealth Transportation Board
Virginia Administrative Code (VAC) Chapter citation(s)	N/A
VAC Chapter title(s)	N/A
Action title	Revision of Transportation Alternatives Program Guide
Date this document prepared	July 26, 2023 – revised August 24, 2023
Regulatory Stage (including Issuance of Guidance Documents)	Amendment of Guidance Document

Cost Benefit Analysis

Complete Tables 1a and 1b for all regulatory actions. You do not need to complete Table 1c if the regulatory action is required by state statute or federal statute or regulation and leaves no discretion in its implementation.

Table 1a should provide analysis for the regulatory approach you are taking. Table 1b should provide analysis for the approach of leaving the current regulations intact (i.e., no further change is implemented). Table 1c should provide analysis for at least one alternative approach. You should not limit yourself to one alternative, however, and can add additional charts as needed.

Report both direct and indirect costs and benefits that can be monetized in Boxes 1 and 2. Report direct and indirect costs and benefits that cannot be monetized in Box 4. See the ORM Regulatory Economic Analysis Manual for additional guidance.

Table 1a: Costs and Benefits of the Proposed Changes (Primary Option)

(1) Direct & Indirect Costs & Benefits (Monetized)	No monetizable direct or indirect costs or benefits have been identified.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Net Monetized Benefit		
(4) Other Costs & Benefits (Non-Monetized)	<p>The proposed changes to the guidance document, approved at the July 18, 2023 meeting of the Commonwealth Transportation Board, will achieve the goals outlined below. These changes are expected to result in benefits to localities through the streamlining of the Transportation Alternative Program and improvement of the funding allocation process. VDOT will also incur benefits though update of the application process.</p> <ol style="list-style-type: none"> 1. Align the policy for the application cycle with the biennial application intake process. <ol style="list-style-type: none"> a. This aligns the written policy with the current application process and is anticipated to benefit applicants through the clarification of requirements. 2. Return surplus funds from completed or canceled projects to a statewide balance entry account for redistribution based on a standardized prioritization/tiered process: <ol style="list-style-type: none"> a. Under the proposed changes, \$2 million would be retained in a statewide balance entry account for unanticipated needs and replenished as necessary during application cycles. Currently, all surplus funds are retained in separate balance entry accounts for each VDOT construction district, regardless of funding eligibility. This prevents funding from being distributed to projects in need across the Commonwealth and creates large surplus balances in certain districts. This change would result in a direct benefit to eligible projects in need of funding in districts without surplus balances. b. The proposed changes would implement a new tiered process for redistribution of available funds, with Tier 1 projects having the highest priority: <ol style="list-style-type: none"> i. Tier 1 – Localities with a deficit at construction award; ii. Tier 2 – Projects that exhibit a deficit at advertisement; 	

- iii. Tier 3 – Projects with a deficit during construction; and
- iv. Tier 4 – Projects with a deficit after construction completion.

The tiered process will directly benefit projects across the Commonwealth by prioritizing allocation of funding to projects that are in the final stages of completion and ensuring that projects supported by the CTB can be delivered in full.

- c. Additionally, under the proposed changes, allocations for projects selected by the CTB but cancelled within the first year of allocation may be re-assigned to another project from that year’s application pool. Currently, there is no mechanism to fund other projects in the event of cancellation, so the allocations are returned to a balance entry to be reallocated in the next biennial cycle. This change will directly benefit projects throughout the Commonwealth by ensuring all funds that are available within a cycle are awarded to projects that are able to progress.

3. **Fully fund project application requests, with limited opportunity to request additional funding (see tiering in recommendation #2).** Projects are currently funded at a minimum of 50% of the request. The changes would benefit sponsors that rely on this funding to complete projects by removing uncertainty that results from the current funding model.
4. **Adjust District Member and At-large/Secretary CTB Member allocations so that allocations are equally distributed.** Current allocations are \$1 million to each CTB District Member with the balance divided into equal shares for the other CTB Members. This process does not allow allocations to keep pace with increases to available funding and creates inequity in distribution. As such, the changes to equally distribute allocations will serve to benefit projects across the Commonwealth.
5. **Establish a maximum lifetime award amount of \$2.5 million per project.** This program is intended to fund smaller pedestrian-focused projects, with biennial requests far exceeding available funding. Funding available for CTB allocation in FY25-26 is roughly \$44.6 million; submitted pre-applications total nearly \$200 million. While some specific projects may see less funding under this change, establishing a per project maximum lifetime award benefits all projects in the Commonwealth by aligning funding availability per project with historical costs for the smaller, more focused projects the program intends to serve and ensuring adequate funding is available for those projects.

	<p>6. Establish application caps of eight pre-applications and five full applications for each jurisdiction. As noted above, biennial requests for funding far exceed available funding, with many localities submitting multiple requests for projects. For those localities, many of the projects are either not viable or have not been thoroughly vetted internally, yet they are still submitted (pre-applications). The proposed change will ensure localities prioritize and submit ready and suitable projects. Since all applications are given the same level of review, this will benefit VDOT by reducing the burden on staff who review applications and encouraging applicants to submit only high priority projects.</p> <p>7. Require that project administration agreements be executed within six months of agreement transmittal to the locality or risk project deallocation. Under existing policy, projects are required to reach the construction phase within four years of award; however, delaying the project agreements beyond six months jeopardizes the entire project schedule and increases the likelihood of a project being considered delinquent and subject to funding deallocation, and as such, the proposed changes benefit all localities by ensuring funds are allocated only to projects which have a high likelihood of timely completion.</p>
(5) Information Sources	

Table 1b: Costs and Benefits under the Status Quo (No change to the regulation)

(1) Direct & Indirect Costs & Benefits (Monetized)	No monetizable direct or indirect costs or benefits of the status quo have been identified.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Net Monetized Benefit		
(4) Other Costs & Benefits (Non-Monetized)	<p>The costs and benefits of the status quo are outlined below as they relate to the proposed changes to the guidance document.</p> <p>1. Align the policy with the biennial application intake process. Under the status quo, current practice is not captured in written policy. This creates confusion for program participants and results in a cost of lost time in learning the requirements.</p>	

2. Return surplus funds from completed or canceled projects to a statewide balance entry account for redistribution based on standardized prioritization/tiered process:

- a. Under the proposed changes, \$2 million would be retained in a statewide balance entry to account for unanticipated needs and replenished as necessary during application cycles. The current practice of retaining funds in District balance entry accounts presents a cost to localities as it reduces the ability to move those funds onto projects in need of additional support and causes funds to roll over without being allocated.
- b. The proposed changes would implement a new tiered process for redistribution of available funds. Current policy solely allows for transfers within a locality or District, which represents a cost to localities as it requires them to either have another existing project with an available surplus or to cancel a funded project when unanticipated needs or project funding insufficiencies arise. The proposed change provides all projects/localities the ability to request additional funding at key milestones.
- c. Additionally, under the proposed changes, projects selected by CTB but cancelled within the first year of allocation may have allocations re-assigned to another project from that year's application pool. There is no mechanism under the status quo to fund other projects in the event of cancellation, so the allocations are returned to a balance entry to be reallocated in the next biennial cycle. This presents a cost to other projects/localities by preventing all funds that can be awarded within a cycle from being awarded to projects that are able to progress.

3. Fully fund project application requests, with limited opportunity to request additional funding (see tiering in recommendation #2). Under the status quo, projects are funded at a minimum of 50% of the request. This serves as a cost to localities that rely on this funding to complete projects through the uncertainty they face in finding other funding sources.

4. Adjust CTB Member allocations so that allocations are equally distributed. Under the status quo, allocations are \$1 million to each CTB District member with the balance divided into equal shares for the other members. This process serves as a cost to localities as it does not keep pace with increases to available funding and creates inequity in the distribution.

	<p>5. Establish a maximum lifetime award amount of \$2.5 million per project. For FY25-26, funding available for CTB allocation is roughly \$44.6 million, while the submitted pre-applications total nearly \$200 million. This program is intended to fund smaller pedestrian-focused projects, with biennial requests far exceeding available funding. In a historical program review, approximately 1.6% (12 of 732) of projects received more than \$2.5 million. Establishing a per project maximum lifetime award benefits all projects in the Commonwealth by aligning funding availability per project with historical costs for the smaller, more focused projects. These are the projects the program intends to serve but the current funding model does not ensure these projects receive adequate funding.</p> <p>6. Establish application caps of eight pre-applications and five full applications for each jurisdiction. As noted above, biennial requests for funding far exceed available funding, with many localities submitting multiple requests for projects. All applications are given the same level of review, regardless of perceived project priority. The costs of this current process accrue to VDOT staff who review applications and arguably to locality staff who are preparing significant numbers of applications that will not likely be funded.</p> <p>7. Require that project administration agreements be executed within six months of agreement transmittal to the locality or risk project deallocation. The status quo requires projects to reach the construction phase within four years of award; however, delaying the project agreements beyond six months serves as a cost to localities as it jeopardizes the entire project schedule and increases the likelihood of a project being considered delinquent and subject to funding deallocation.</p>
(5) Information Sources	

Table 1c: Costs and Benefits under Alternative Approach(es)

(1) Direct & Indirect Costs & Benefits (Monetized)	There are no monetizable direct or indirect costs or benefits under the alternative approaches.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits

	(a)	(b)
(3) Net Monetized Benefit		
(4) Other Costs & Benefits (Non-Monetized)	<p>One potential alternative approach would be to limit the number of applications localities can submit to four pre-applications and two full applications, instead of eight pre-applications and five full. Direct benefits to VDOT under this alternative would be greater than those under the proposed alternative, as the tighter restrictions on applications would result in less time and effort on the part of VDOT staff to review. However, costs to localities would accrue under the proposed alternative as they would be significantly restricted in the applications they could submit, having to prioritize their potential projects beyond what is necessary for program efficiencies.</p> <p>Another potential alternative approach could be to establish a lifetime maximum award amount at \$5 million instead of the \$2.5 million included in the proposal. While this would allow some localities to submit projects with larger budgets, it would ultimately serve as a cost to other localities across the Commonwealth and not accomplish the goal of securing a broad range of participants. The scale of the funding available through the Transportation Alternatives Program is not suitable for large projects, and projects of this size often do not meet the requirement to reach construction phase within four years.</p>	
(5) Information Sources		

Impact on Local Partners

Use this chart to describe impacts on local partners. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 2: Impact on Local Partners

(1) Direct & Indirect Costs & Benefits (Monetized)	No monetizable direct or indirect costs or benefits for local partners have been identified.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)

(3) Other Costs & Benefits (Non-Monetized)	With the exception of the benefits to VDOT of establishing caps on the numbers of pre-applications and full applications submitted, all of the benefits and costs of the proposal described in Box 4 of Table 1(a) accrue to localities.
(4) Assistance	VDOT's District staff and Central Office provide a variety of in-person and virtual group training opportunities and one-on-one assistance to localities during the application process. Pre-Application Webinars hosted by Central Office are recorded and made available online along with associated materials. District contact information is provided on the VDOT Transportation Alternatives webpage, with phone numbers and email addresses for key contacts in each District.
(5) Information Sources	

Impacts on Families

Use this chart to describe impacts on families. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 3: Impact on Families

(1) Direct & Indirect Costs & Benefits (Monetized)	No direct or indirect costs or benefits to families from these proposed changes have been identified.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)		
(4) Information Sources		

Impacts on Small Businesses

Use this chart to describe impacts on small businesses. See Part 8 of the ORM Cost Impact Analysis Guidance for additional guidance.

Table 4: Impact on Small Businesses

(1) Direct & Indirect Costs & Benefits (Monetized)	No direct or indirect costs or benefits to small businesses from these proposed changes have been identified.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Other Costs & Benefits (Non-Monetized)		
(4) Alternatives		
(5) Information Sources		

Changes to Number of Regulatory Requirements

Table 5: Regulatory Reduction

For each individual action, please fill out the appropriate chart to reflect any change in regulatory requirements, costs, regulatory stringency, or the overall length of any guidance documents.

Change in Regulatory Requirements

VAC Section(s) Involved	Authority of Change	Initial Count	Additions	Subtractions	Net Change
Transportation Alternatives Program Guide	*Statutory:	59	10	27	-17
	Discretionary:	33	15	20	-5

**Adjustments to the number of statutory regulatory requirements reflect changes to federal law as well as streamlining of the document for clarity and reduced redundancy.*

Cost Reductions or Increases (if applicable)

N/A

Other Decreases or Increases in Regulatory Stringency (if applicable)

N/A

Length of Guidance Documents (only applicable if guidance document is being revised)

Title of Guidance Document	Original Length	New Length	Net Change in Length
Transportation Alternatives Program Guide	20,155 words	6,536 words	-13,619 words