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 Revenue Sharing Program Guidelines
Date this document prepared	July 25, 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)

<table>
<tr><td>(1) Direct & Indirect Costs & Benefits (Monetized)</td><td colspan="2">No monetizable direct or indirect costs or benefits have been identified from the proposed changes.</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>(2) Present Monetized Values</td><td>Direct & Indirect Costs</td><td>Direct & Indirect Benefits</td></tr>
<tr><td></td><td>(a)</td><td>(b)</td></tr>
<tr><td>(3) Net Monetized Benefit</td><td colspan="2"></td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>(4) Other Costs & Benefits (Non-Monetized)</td><td colspan="2">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 Revenue Sharing program and improvement of the funding allocation process.

Align policy for application cycle with existing biennial application intake process.
This aligns the written policy with the current application process and is anticipated to benefit applicants through the clarification of requirements.
Return surplus funds from completed or canceled projects to a statewide balance entry account for redistribution based on standardized prioritization/tiered process.
Under the proposed changes, $5 million would be retained in a statewide balance entry to account for unanticipated needs and replenished as necessary during application cycles. Currently, the CTB is unable to support projects with the highest needs in a timely manner. This change would result in a direct benefit to eligible projects in need of funding across the state.
The proposed changes would implement a new tiered process for redistribution of available funds with Tier 1 projects having the highest priority:
Tier 1 – Localities with a deficit at construction award;
Tier 2 – Projects that exhibit a deficit at advertisement;
Tier 3 – Projects with a deficit during construction;
Tier 4 – Projects with a deficit after construction completion;
</td></tr>
</table>

	The tiered process will directly benefit projects across the Commonwealth by prioritizing allocating funding to projects that are in the final stages of completion and ensuring that projects supported by the CTB can be delivered in full. • **Eliminate all individual transfer requests within localities.** Currently, surplus funds may be transferred to an existing revenue sharing project within the same locality with the concurrence of the District Commonwealth Transportation Board member. Under the change, any redistribution or increased allocation to projects will be addressed on a statewide basis using a uniformed reallocation process. While some specific projects may see less funding from this change, projects across the Commonwealth will benefit through a transfer process which prioritizes projects in deficit. • **Deallocate funds monthly.** Currently, deallocated funds are not available to be reallocated to other projects in a timely manner due to the single annual deallocation action. This change will benefit all projects across the Commonwealth by allowing available funding to immediately support projects in deficit and minimizing idle allocations which reduces impacts of inflation and other project delivery cost increases. • **Require that project administration agreements be executed within six months of agreement transmittal to the locality or risk deallocation.** 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.
(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)	The costs and benefits of the status quo are outlined below as they relate to the proposed changes to the guidance document.
	
	• **Align policy for application cycle with existing biennial application intake process.**
	    o 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 ascertaining the requirement.
	• **Return surplus funds from completed or canceled projects to a statewide balance entry account for redistribution based on standardized prioritization/tiered process.**
	    o Under the proposed changes, $5 million would be retained in a statewide balance entry to account for unanticipated needs and replenished as necessary during application cycles. Under the status quo, the CTB is unable to support projects with the highest needs in a timely manner, which serves as a cost to eligible projects in need of funding across the state.
	    o The proposed changes would implement a new tiered process for redistribution of available funds. There is no tiered process under the status quo. This serves as a cost to localities, as the redistribution of available funds does not reflect the urgent and time-sensitive need for funds on existing projects.
	• **Eliminate all individual transfer requests within localities.** Under the status quo, surplus funds may be transferred to an existing revenue sharing project within the same locality, which is not reflective of the project-specific nature of allocations. Allocations are currently able to sit on projects for years, with older allocations transferred from project to project within a locality. While some specific projects that are not urgently in need of funds benefit under this current process, the process serves as a cost to projects in deficit across the Commonwealth.
	• **Deallocate funds monthly.** The status quo utilizes a single annual deallocation process. This represents a cost to all projects because deallocated funds are not available to be reallocated to other projects in a timely manner and idle allocations increase the impacts of inflation and other project delivery cost increases.
	• **Require that project administration agreements be executed within six months of agreement transmittal to the locality or risk deallocation.** 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.
(5) Information Sources	

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

(1) Direct & Indirect Costs & Benefits (Monetized)	There are no monetizable costs or benefits under the alternative approach.	
(2) Present Monetized Values	Direct & Indirect Costs	Direct & Indirect Benefits
	(a)	(b)
(3) Net Monetized Benefit		
(4) Other Costs & Benefits (Non-Monetized)	An alternative approach could be to perform the deallocation process semi-annually instead of monthly as proposed. In contrast to the monthly deallocation approach, this approach would be more time consuming for VDOT and localities to process the deallocations. It would also allow funds to continue to sit on projects for an extended length of time after project completion as opposed to the preferred alternative which would ensure available funding is immediately available to support projects in deficit.	
(5) Information Sources		

<u>Impact on Local Partners</u>

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)	All of the costs and benefits of the proposal as described in Box 4 of Table 1(a) accrue to localities.	
(4) Assistance	Before the biennial applications process begins, VDOT Local Assistance staff provides training and updates to localities in preparation for the application process. VDOT Central Office and District staff provide assistance throughout the funding application process.	
(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
Revenue Sharing Program Guidelines	**Statutory:**	1	0	0	0
	Discretionary:	51	11	14	-3

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
Revenue Sharing Program Guidelines	10,295 words	6,104 words	-4,191 words