



COMMONWEALTH of VIRGINIA

Commonwealth Transportation Board

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Revenue Sharing and Transportation Alternatives Policy Initiatives Subcommittee Agenda

March 29, 2023

Upon Adjournment of the March 29, 2023 Commonwealth Transportation Action Meeting
Virginia Department of Transportation
Central Office Human Resources Training Room
1221 East Broad Street
Richmond Virginia, 23221

- Purpose of Subcommittee/Introductions
- Presentation:
 - Overview of Programs
 - Results of 2018 Revenue Sharing Policy Changes
 - Policy Initiatives
- Schedule for Future Meetings

Public Comment will not be heard at this meeting.



Virginia Department of Transportation

Biennial Process

TWO – YEAR FUNDING PROGRAMMING CYCLE												
EVEN CALENDAR YEARS												
Program/Month	January	February	March	April	May	June	July	August	September	October	November	December
Smart Scale			Pre-Applications in Smart Portal			Final Applications		Scoring and Scenarios Developed				
TAP	CTB-MPO Project Allocation Selections			Draft SYIP including TAP Released		Final SYIP including TAP Approved by CTB*						
Revenue Sharing	CTB Approval - Annual Deallocations			Draft CTB Including Revenue Sharing Released			Final SYIP including Revenue Sharing Approved by CTB*					
ODD CALENDAR YEARS												
Smart Scale	Project Application Scores Released			Draft SYIP including Smart Scale Released		Final SYIP including Smart Scale Approved by CTB*						
TAP					Pre-Applications Submitted			Final Applications Submitted		VDOT Staff Scoring		
Revenue Sharing					Pre-Applications Submitted			Final Applications Submitted		VDOT Staff Evaluating for Priority Level Pro-ration Percentages		

VDOT Funding Availability Comparison

- **SMART SCALE (\$1.7B-biennial)**
 - Funds available in SYIP Years 5 and 6
- **Revenue Sharing (\$200M biennial – State Funding)**
 - Funds available in SYIP Years 3 and 4
- **Transportation Alternatives (\$55M - biennial)**
 - Funds available in SYIP Years 1 and 2

TAP and Revenue Sharing Allocations 2022

Transportation Alternatives Program

District	Total Funding Awarded FY23/24 Round	Total Projects Awarded	Average Award
Bristol	\$4,500,974	5	\$900,195
Culpeper	\$3,292,027	4	\$823,007
Fredericksburg	\$3,854,410	2	\$1,927,205
Hampton Roads	\$9,745,696	13	\$749,669
Lynchburg	\$2,642,909	5	\$528,582
NOVA	\$13,943,244	16	\$871,453
Richmond	\$7,604,156	16	\$475,260
Salem	\$4,871,386	9	\$541,265
Staunton	\$5,225,852	12	\$435,488
STATEWIDE	\$55,680,654	82	\$679,032

Revenue Sharing Program

District	Total RS State Match Allocated Last Round (Awarded 2022)	Number of Projects	Average Allocation
Bristol	\$2,861,892	5	\$572,378
Culpeper	\$8,120,770	1	\$8,120,770
Fredericksburg	\$18,947,728	10	\$1,894,773
Hampton Roads	\$50,356,501	37	\$1,360,987
Lynchburg	\$15,039,499	10	\$1,503,950
NOVA	\$53,541,235	22	\$2,433,693
Richmond	\$35,813,710	21	\$1,705,415
Salem	\$21,102,155	24	\$879,256
Staunton	\$16,179,445	15	\$1,078,630
STATEWIDE	\$221,962,935	145	\$1,530,779

Revenue Sharing Program Overview

- **Flexible funding program and eligibility includes “construction, reconstruction, or maintenance of the systems of state highways”**
- **State-aid Program**
 - **Localities often rely on Revenue Sharing allocations to support local needs (rather than regional or statewide). Most are locally administered although VDOT can and does administer**
- **State allocations do require a dollar for dollar match.**
- **Virginia Code Prioritizes Distribution of Allocations:**
 - **Priority 1** – Existing Revenue Sharing projects
 - **Priority 2** – Meet Statewide Transportation Need or accelerate project in locality capital improvement plan
 - **Priority 3** – Address deficient pavement or bridge
 - **Priority 4** – All other requests for eligible project work

Transportation Alternatives Program (TAP)

Intended to improve non-motorized transportation, enhance public's travel experience, revitalize communities, and improve quality of life

80% Federal / 20% Local Match funding

- Typically administered by project sponsor
- Local match can be provided as cash or in-kind
- In-kind match must be requested in application and eligible for project reimbursement

Project Allocations Selected by CTB District Members, At-Large Members (as a block), and MPOs with TMAs

Trails Funding \$7M per year commitment

~55% \$\$ MUST be allocated by population:

<5,000;

>5,000-50,000;

>50,000-200,000;

>200,000 (MPOs select projects)

Remainder \$\$ Available Statewide

REVENUE SHARING PROPOSED POLICY INITIATIVES



Revenue Sharing Proposed Policy Initiatives Deallocation, Surplus Allocation Distribution & Agreements

Establish a statewide prioritized reallocation process for surplus funds to ensure projects with highest and most immediate need have equal access to the funds (*Policy Initiative #2 on Chart*)

Eliminate individual allocation transfers within localities (*Policy Initiative #3 on Chart*)

Surplus funds from completed, canceled or otherwise overfunded projects are deallocated on a rolling basis (rather than an annual process) (*Policy Initiative #5 on Chart*)

Require Local Project Administration Agreements be executed by the locality within six months of allocation (*Policy Initiative #4 on Chart*)

Issues with Current Deallocation & Transfer Policy

Allowing transfers rather than returning funds to the BE has created a cumbersome, 9 month long deallocation process

Unproductive funds sitting on projects does not allow the total RS balance to be spent down
Delays with closing out projects

Encourages inflated estimates to have funds leftover to transfer or for stockpiling funds for possible future transfers

Provides larger localities with multiple projects a funding advantage and availability to allocations not available to smaller localities with single projects

With Revenue Sharing allocations programmed 3 years out in the SYIP, surplus funds could be more efficiently used to support higher priority projects statewide or to advance projects

The Revenue Sharing transfer policy is not consistent with other funding programs

2018 Revenue Sharing Policy Changes Reducing Transfers and Limiting Maximum Allocations are Working!

Results from 2018 Policy Changes Support Recommendations

- **Past 5 years there have been more than 331 transfers between projects involving \$83.1M**
 - Larger localities with higher amounts of funding keep a higher percentage of the allocations
 - Funds are kept on projects longer awaiting a project that needs more funds
 - Funds are stockpiled in case the funds are needed in the future for transfers, resulting in unproductive funds sitting on projects for years
- **Past 5 years \$43.1M has been deallocated from completed projects**
 - Surplus funds on completed projects remain until meeting deallocation criteria (completed 6 months, no activity 24 months) so unproductive funds remain on projects unnecessarily
- **Past 5 years \$38M has been deallocated from canceled projects**
 - Funds remain on project until next deallocation cycle is complete which could be a year or more from the date the project was canceled

Transfer and Deallocation Results

Transfers From Completed Projects			
Prior to Policy Change		After Policy Change	
Number	\$ Amount	Number	\$ Amount
611	\$35.1 M	233	\$40.6 M

Transfers From Ongoing Projects			
Prior to Policy Change		After Policy Change	
Number	\$ Amount	Number	\$ Amount
359	\$90.7 M	98	\$42.5 M

Deallocated Funds Prior to Policy Change Completed Projects	
Fiscal Year	Amount of Surplus
FY12/13	\$3.3 Million
FY13/14	\$3.0 Million
FY14/15	\$2.1 Million
FY15/16	\$1.6 Million
FY16/17	\$1.2 Million
Total	\$11.2 Million

Deallocated Funds After Policy Change Completed Projects	
Fiscal Year	Amount of Surplus
FY18/19	\$12.8 Million
FY19/20	\$10.6 Million
FY20/21	\$3.7 Million
FY21/22	\$12.8 Million
FY22/23	\$3.2 Million
Total	\$43.1 Million

Deallocated Funds Prior to Policy Change Canceled Projects	
Fiscal Year	Amount of Surplus
FY12/13	\$1.1 Million
FY13/14	\$1.6 Million
FY14/15	\$2.0 Million
FY15/16	\$2.9 Million
FY16/17	\$0.5 Million
Total	\$8.1 Million

Deallocated Funds After Policy Change Canceled Projects	
Fiscal Year	Amount of Surplus
FY18/19	\$4.1 Million
FY19/20	\$22.3 Million
FY20/21	\$5.5 Million
FY21/22	\$1.0 Million
FY22/23	\$5.1 Million
Total	\$38.0 Million

Current Data Analysis Supporting Modifying Deallocation Process

Analysis of active Revenue Sharing projects (100% Revenue Sharing – no mixed funding) to determine current unproductive (surplus) funding.

	# of Projects	Potential Surplus RS State Match
Awarded Projects	78	\$3,591,468
Completed Projects	79	\$10,092,513
Canceled Projects	8	\$4,804,688

Current Process (Annually) Requires 9+ months while surplus “sits.”

Recommendation to deallocate on a rolling basis and distribute based on priority of needs and within specified limits.

Statewide Prioritized Reallocation Process

- **Propose that surplus funds from completed or canceled projects are returned to statewide balance entry for redistribution based on standardized prioritization process**
- **Retain \$1M in central balance entry to account for unanticipated needs - replenish through annual deallocation process**
- **Redistribution process to function similar to other funding programs**

Revenue Sharing Proposed Policy Initiatives

Additional Allocation Restrictions

- **Redistributed allocations are not available for additional scope, unless necessary to complete original purpose and need. This includes new application cycles (additional scope is a new project)**
- **Total allocations cannot exceed threshold established for Revenue Sharing (\$10M per project)**
- **Redistribution allocation increases per current Board policy**

TRANSPORTATION ALTERNATIVES PROGRAM (TAP)

Proposed Policy Initiatives – Building on What We Have Learned!



Fully Fund Projects (*Policy Initiative #3*)

Establish requirement that all TAP funding requests be fully funded, with limited opportunity to increase allocation

- **Current policy requires awarding a 50% minimum of the federal funding request**

Encourages better cost estimates, knowing you get what you ask for so get it right the first time

Increases adherence to four-year rule without extensions; expedites projects

Syncs TAP with other funding programs which require full funding

If it's good enough to fund, it's good enough to fully fund

Issues with Current Policy

Localities hesitate to begin work without assurance they will get full amount needed.

- **Available allocations lose value while locality waits until next application cycle to get additional funds in order to begin work**
- **Dashboard reflects late projects**
- **Leads to non-compliance with four-year rule; extensions more frequently requested**
- **If full funding cannot be provided and projects are canceled, this causes unnecessary encumbrance; funds could have been used on other projects**
- **Federal regulations require obligation within four years of appropriation**

Establish Consistent Statewide Allocation Prioritization Strategy *(Policy Initiatives #2 and #5)*

Statewide Prioritized Reallocation Process

- Propose that surplus funds from completed or canceled projects are returned to statewide balance entry for redistribution based on standardized prioritization process
- Retain \$1M in central balance entry to account for unanticipated needs, replenish as necessary during application cycles
- Redistribution process to function similar to other funding programs

Eliminate Project-to-Project Transfers

Additional Redistributed Allocations

- **Redistributed allocations are not available for additional scope, unless necessary to complete original purpose and need**
- **Total allocations cannot exceed threshold established for Transportation Alternatives Projects (current proposal is \$2.5M)**
- **Board action is required for redistribution allocation increases**

Issues with Redistribution of Allocations Within Locality and Within District

- **Allowing transfers rather than returning funds encumbers productive funds on completed or deallocated projects as a “bank” for other active projects**
 - **Delays project close-out**
- **Encourages inflated estimates to allow leftover funds to be stockpiled**
- **Provides a funding advantage to large localities with multiple projects**
- **The TAP policy is not consistent with other funding programs**
- **Complicates ability to effectively utilize population-based allocations when statewide allocations are used for projects eligible for population-based allocations (see examples)**

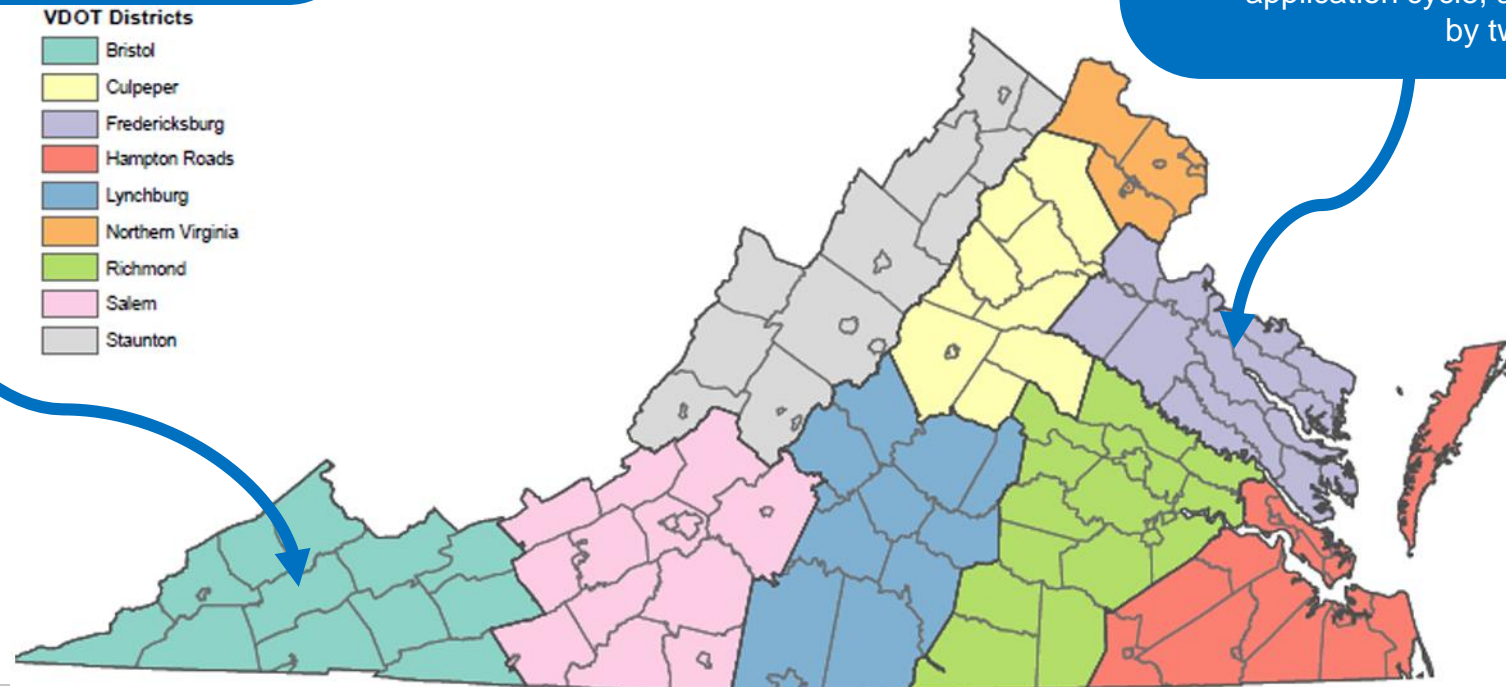
Existing District Balance Entry Example

Example A – Step One

- Canceled Local Project
- \$250,000 of <5,000 pop. based funding
- Funding transferred to Bristol District Balance Entry Account
- No eligible <5,000 population area projects available to transfer to
- Funds remain in District BEA until if/when a need materializes

Example A – Step Two

- Local <5,000 population area Project advertised
- Bids received, after value engineering, a deficit of \$175,000 is confirmed
- Fredericksburg Balance Entry Account does not have <5,000 pop. based or Statewide funding available
- Locality unable to financially cover the entire shortfall
- Having already economized the scope, bids are rejected, project is shelved until the next TA application cycle, affecting potential project delivery by two additional years



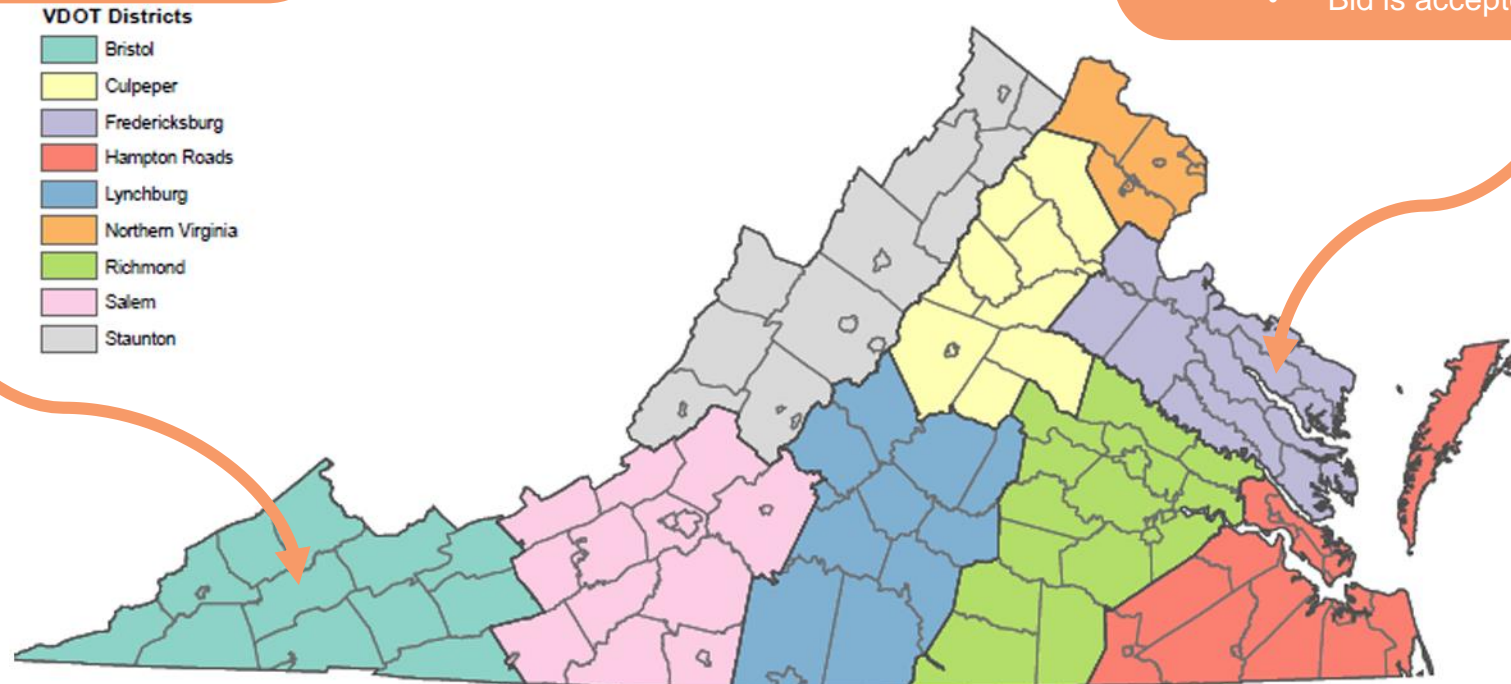
Proposed Initiative Balance Entry Example

Example B – Step One

- Canceled Local Project
- \$250,000 of <5,000 pop. based funding
- Funding transferred to Central Balance Entry Account

Example B – Step Two

- Local <5,000 population area Project advertised
- Bids received, after value engineering, a deficit of \$175,000 is confirmed
- Fredericksburg District communicates funding shortfall
- As this request achieves the immediate advancement of a project to construction, funding is provided
 - Bid is accepted, construction advances



Allocate CTB Funds Based on Percentage of Funding Available (Policy Initiative #4)

- **Establish equitable percentage-based distribution of available funds to CTB members**
 - **Currently, CTB members receive \$1M each**
 - **Percentage-based distribution ensures that each member receives an equitable portion of the funds regardless of the total annual federal apportionment**
 - **Last cycle would have resulted in \$2M for each District Member and for Secretary/At-Large \$4M per member selected as a Block (total of \$24M)**

Establish \$2.5M Lifetime Project Limit (*Policy Initiative #6*)

- **Establish a maximum \$2.5M lifetime competitive award amount for TAP-funded projects**
 - Encourages better estimates
 - Encourages faster project delivery
- **Aligns the nature of the limited allocation program to fund smaller, local projects**
- **Currently there is no limit on lifetime award amounts**
 - Large existing projects continue to request additional funds at detriment of smaller new projects (similar to Revenue Sharing)
 - Increases the potential for non-compliance with the four-year CTB policy

Limit Application Quantity (*Policy Initiative #7*)

- **Establish a per-cycle limit on the number of pre- and full applications per applicant**
 - Encourage strong project development and focus
 - Support project completion within four-year rule
 - Allow more time for VDOT to coordinate with applicants and evaluate project proposals and cost estimates
 - Allow applicants to focus more time on applications and true cost evaluation
- **Consistent with SMART SCALE requirements**

Establish Limits Based on Population

- Limit the number of pre- and full applications based on population, similar to SMART Scale

Population	Pre-Application Limit	Full Application Limit
<200,000	5	2
>200,000	8	5

Affected Application Quantities in FY23/24 Cycle

- **125 applications from 67 applicants**
- **Approximately \$55M available**
 - **Total amount requested: \$112.4M**

Affected Locality	Total Applications	Total Requested	Applications Funded	Funding Awarded	Note
Bluefield	4	\$3.73M	2	\$1.79M	
Spotsylvania	3	\$5.52M	1	\$2M	
Prince William	9	\$12.56M	5	\$5.54M	Requested 90% of funding awarded for the District
Richmond	12	\$4.69M	6	\$1.59M	Requested 62% of funding awarded for the District

Require Agreements within Six Months (*Policy Initiative #7*)

- **Need to put allocations to immediate use**
 - TA projects have four years to reach construction
- **Agreements are currently taking an average of 4.3 months to execute, with a range of 1.13 to 9.9 months**
 - Examples exist of localities that have taken as long as 12 months to return a signed agreement from their governing bodies, effectively delaying the potential delivery of their project by 25%

