COMMONWEALTH of VIRGINIA

Commonwealth Transportation Board

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All board members will be participating remotely. The public may view the meeting via live stream by clicking the "View video" button at the following link: https://www.ctb.virginia.gov/public_meetings/live_stream/default.asp
There will be opportunity for public comment during this meeting. Public comment can be submitted by calling the following number 1-517-466-2023 followed by PIN 2432 134 4177 when it is announced that public comment will begin. A caller may be placed on hold until others who have called in earlier have had opportunity to speak.
In the event there is an interruption in the broadcast of the meeting, please call (804) 840-7823.

AGENDA

Revenue Sharing and Transportation Policy Initiatives Subcommittee Agenda #2
April 11, 2023
10am-Noon
Remote Virtual Meeting

- Public Comment
- Brief review of the March 29 meeting/Revenue Sharing
- Presentation:
  - Review of Transportation Alternatives Program Policy Initiatives
  - Recap of Policy Initiative Committee Guidance
- April 18, 2023 Meeting Goals/Next Steps/Schedule
- Other Business

VDOT
Virginia Department of Transportation

Proposed Policy Initiatives for Revenue Sharing and Transportation Alternatives Commonwealth Transportation Board Subcommittee

TODAY

- Public Comment
- Review Purpose of Initiative(s)
- Review Last Meeting’s Minutes
- Address Questions for Revenue Sharing
- Address Transportation Alternatives Policy Initiatives

Review of Purpose of the Proposals

- **Equity in Allocation Distribution**
  - All localities have same access to funds no longer needed for the projects the allocations made to
  - Re-distribution process is based on statewide prioritization process which puts funds to work as fairly and as quickly as possible
- **Efficiency in Program Management**
  - Ensure the Management of the Programs is as efficient as possible, making maximum use of limited resources
- **Synchronization with other Funding Programs**
  - Ensuring Policy Consistency while keeping in mind the differences in Program needs/purposes

March 29 Meeting Requests/Recap - Supplemental Data Requests

- **Deallocated/Cancelled/Completed Project funding transferred to central balance entry account**
- **Past process cumbersome and challenging to manage**
- **Outcome of centralized balance entry results in the same availability of funds to support deficits, etc.**
  - Streamlines the accounting practice
  - Broadens the availability of funds to be used where the need exists
  - Funds aren't "parked" in a District account
- **Request to produce a summary of the average carryover/credit/debit**
  - What is the average transfer amount?
  - What are the number of transfers by District, and value by District?

Revenue Sharing Program Balance Entry Account (BEA) by District

PRIOR to 2018 Policy Change (Five Years)

RS TO RS

District	Value	# Of Transfers	Average
Bristol	$14,243,092	227	$62,745
Culpeper	$4,926,606	23	$214,200
Fredericksburg	$11,526,351	65	$177,328
Hampton Roads	$11,185,310	79	$141,586
Lynchburg	$4,342,560	67	$64,814
NOVA	$25,731,709	110	$233,925
Richmond	$12,893,017	60	$214,884
Salem	$10,860,147	175	$62,058
Staunton	$7,371,353	103	$71,567
	$103,080,145	909	$113,399

RS TO NON-RS

District	Value	# Of Transfers	Average
Bristol	$7,123,081	20	$356,154
Culpeper	$1,072,000	3	$357,333
Fredericksburg	$2,300,000	5	$460,000
Hampton Roads	$5,615,532	7	$802,219
Lynchburg	$852,880	4	$213,220
NOVA	$2,636,014	7	$376,573
Richmond	$164,058	2	$82,029
Salem	$982,286	3	$327,429
Staunton	$1,957,517	11	$177,956
	$22,703,368	62	$366,183

AFTER 2018 Policy Change (Five Years)

RS TO RS

District	Value	# Of Transfers	Average
Bristol	$5,572,788	12	$464,399
Culpeper	$1,638,554	17	$96,386
Fredericksburg	$2,016,269	6	$336,045
Hampton Roads	$7,180,060	58	$123,794
Lynchburg	$13,205,986	25	$528,239
NOVA	$23,902,722	39	$612,890
Richmond	$6,853,358	74	$92,613
Salem	$10,316,391	51	$202,282
Staunton	$8,065,480	26	$310,211
	$78,751,608	308	$255,687

RS TO NON-RS

District	Value	# Of Transfers	Average
Bristol	$574,655	3	$191,552
Hampton Roads	$52,004	1	$52,004
NOVA	$5,235,800	5	$1,047,160
Salem	$1,124,649	6	$187,442
Staunton	$418,122	9	$46,458
	$7,405,230	24	$308,551

Revenue Sharing Transfer Situations

A Locality will increase the estimate on an existing project in order to transfer surplus funds from a completed project. Estimate increase typically matches surplus exactly.

B Locality will move the advertisement date up in order to fit into the "going to advertisement within 12 months" rule

C Locality will request the transfer within the 6 months of CN completion but not send the IID24 to complete the transfer until many months later

D Locality will request a transfer to a project that is fully funded and increase the estimate only after I tell them the recipient project is already fully funded

E Locality will state that even though there is an ending C-5 date they should be able to retain all funds and transfer funds after condemnation is complete, which can take years

F "Cancelled project" doesn't apply because the locality has decided to complete the project using their own money.

G Locality requests transfer from completed project to a fully funded project. We advise that the requested receiving project is fully funded, and the locality updates estimate to the dollar of the original transfer request.

Proposed Prioritization Review

Statewide prioritization process for redistribution of available allocations to projects with highest and most immediate need

- First, to those projects with current bids higher than available allocations
- Second, to those projects with pending advertisements (within 12 months) where estimates are exceeding available allocations
- Third, to increase the amount available for the next application cycle (minus $5M (RS); ($2M (TA)) for balance entry to address new needs)
- Fourth, to provide additional funding for projects under Construction and in deficit due to unforeseen construction situations

Per Virginia Code, a locality can still apply for additional Revenue Sharing funds, up to the established limits during each application cycle

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

Total Cost Estimate	Threshold
<$5 million	up to a 20% increase in total allocations
$5 million to $10 million	up to a $1 million increase in total allocations
>$10 million	up to a 10% increase in total allocations up to a maximum of $5 million increase in total allocations

Revenue Sharing Policy Initiatives Review

Policy 1: Biennial Application Process

Policy 2: Surplus from completed/canceled to central balance entry account; Retain $1M in central balance entry account to address unanticipated needs

Policy 3: Eliminate all individual transfers from active to active revenue sharing projects

Policy 4: Agreements are signed/returned in 6 months; Risk deallocation

Policy 5: Allow year round deallocations to be performed administratively

Next Steps

TRANSPORTATION ALTERNATIVES PROGRAM (TAP)

Proposed Policy Initiatives – Building on What We Have Learned!

Purpose of the Proposals - Same as Before (but more)

- **Equity in Allocation Distribution**
  - All localities have same access to funds no longer needed for the projects the allocations made to
  - Re-distribution process is based on statewide prioritization process which puts funds to work as fairly and as quickly as possible
- **Efficiency in Program Management**
  - Ensure the Management of the Programs is as efficient as possible, making maximum use of limited resources
  - Accounting for complications associated with population-based funding
- **Synchronization with other Funding Programs**
  - Ensuring Policy Consistency while keeping in mind the differences in Program needs/purposes

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*)

Establish a statewide prioritization reallocation process to projects with the highest and most immediate need:

First, to those projects with current bids higher than available allocations

Second, to those projects with pending advertisements (within 12 months) where estimates are exceeding available allocations

Third, to increase the amount available for the next application cycle (minus $2M for balance entry to address new needs)

Fourth, to provide additional funding for projects under Construction and in deficit due to unforeseen construction situations

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)
- Transfers are reflected on the monthly transfer report, per CTB Policy

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)

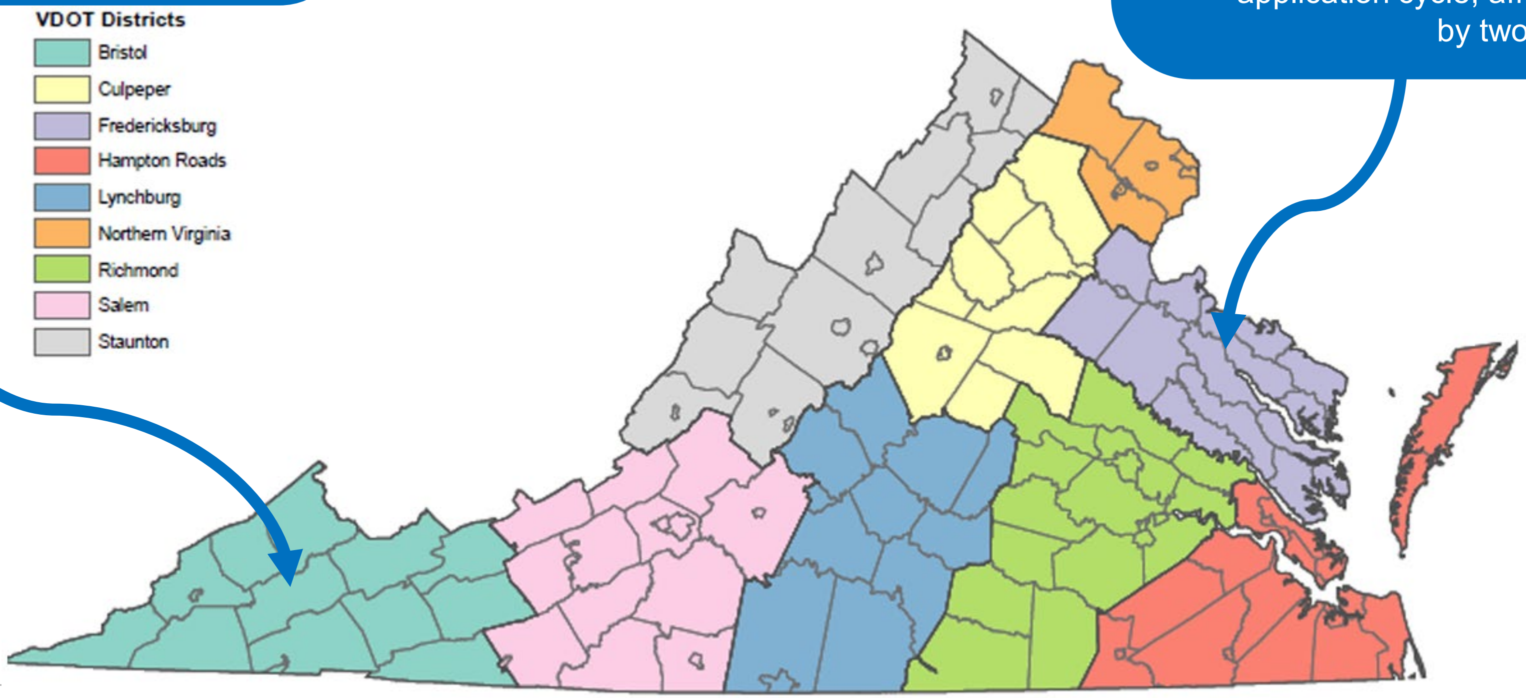
Existing District Balance Entry Example

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



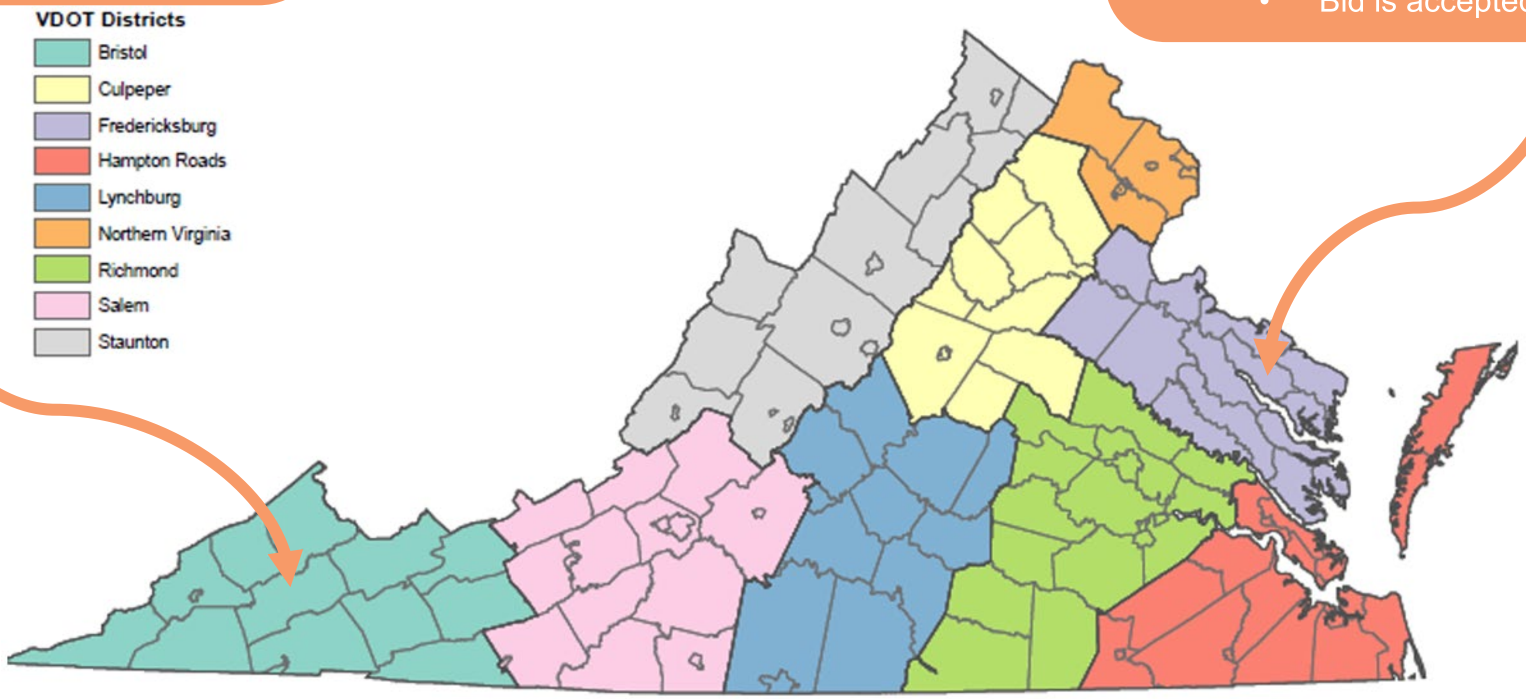
Proposed Initiative Balance Entry Example

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



Transportation Alternatives Program Balance Entry Account (BEA)

Committee Supplemental Request

- **Questions:**
  - What is the average transfer amount by District?
  - Number of transfers by District, and value by District?
- **Observations**
  - Transfers can involve up to 5 different funding sub-allocations categories
  - Highly complex to monitor transactions
  - Inconsistent transfer justifications
  - Large transfers occurring outside of selection process

	2018-22 Data					
Area	Average of Transfers In	Average of Transfers Out	Sum of Transfers In	Sum of Transfers Out	Count of Transfers In	Count of Transfers Out
Bristol	$86,822	($37,692)	$1,562,801	($1,545,388)	18	41
Culpeper	$84,974	($68,559)	$509,843	($548,472)	6	8
Fredericksburg	$235,719	($195,074)	$2,592,914	($3,121,176)	11	16
Hampton Roads	$226,365	($300,634)	$5,206,389	($5,411,411)	23	18
Lynchburg	$112,276	($97,603)	$3,031,440	($3,025,679)	27	31
NoVA	$224,554	($140,347)	$5,164,736	($5,473,525)	23	39
Richmond	$112,081	($62,209)	$784,564	($746,507)	7	12
Salem	$104,985	($62,969)	$1,364,809	($1,448,296)	13	23
Staunton	$158,461	($88,513)	$2,059,987	($1,947,287)	13	22
Total	**$1,346,237**	**($1,053,600)**	**$22,277,483**	**($23,267,741)**	**141**	**210**

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
  - Since we have 15 Board Members including the Secretary – 9 District Members and 6 At-Large with Secretary, 60% of funding goes to District members and 40% goes to At-Large with Secretary (still voting as a block)

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%**

Transportation Alternatives Program (TAP)

Policy Initiatives Review

Policy 1: Biennial Application Process

Policy 2: Surplus from completed/canceled to central balance entry account; Retain $1M annually in central balance entry account to address unanticipated needs

Policy 3: Fully fund selected project application requests, restrict opportunities to request additional funding

Policy 4: Equally allocate funding for distribution to all CTB members

Policy 5: Eliminate transfers between TAP projects within a locality. Additional funds addressed on statewide prioritization process.

Policy 6: Establish maximum lifetime award of $2.5M per project

Policy 7: Limit number of pre/full-applications

Policy 8: Agreements are signed/returned in 6 months; Risk deallocation

Next Steps


QUESTIONS

Transportation Alternatives – 3/3/2023

The Transportation Alternatives Program CTB Policy was last updated in 2013. Since that time, the program has changed at the federal level several times, funding levels have increased significantly, the state legislature has mandated the use of Transportation Alternatives funds for multiuse regional trails, and the program went through a significant allocation re-distribution process in preparation for a federal rescission of funds. These events and lessons learned from these events, as well as lessons learned from other funding programs, have identified a number of potential policy changes.

A summary of those potential changes, along with concerns and impacts, is provided in the "TAP Proposed Initiatives" table below. Some of the more essential changes are:

Placing all surplus allocations in a centralized balance entry account (see #2 in Policy Initiatives table). Current policy places surplus allocations from completed and cancelled projects in various balance entry accounts across the state. This makes it extremely difficult to ensure necessary funds are distributed statewide to those projects in most need and in a timely manner (if at all). It also rewards increased estimates and project cancellations. Over half of the Transportation Alternatives allocations are distributed to projects based on population. When surplus population-based funds are not returned to a centralized balance entry account, it becomes extremely difficult, if not impossible, to ensure population based allocations are efficiently used on a statewide basis. As with the Revenue Sharing proposed policy initiatives, staff recommendation is that the current process of managing surplus funds be replaced with a centralized process, using a centralized balance entry account, prioritizing the use of the surplus allocations statewide (see #5 in Policy Initiatives table).

Under current policy, partial allocations (as low as 50%) can be provided to project applications. As might be expected, partially funded projects take longer to complete than fully funded projects. Oftentimes, localities with partially funded projects will wait until the next application cycle to request additional funds before they advance their projects. In addition, other programs, such as Smart Scale provide full funding to selected project applications. Accordingly, staff is recommending that Board members fully fund their application selections, with consideration for additional future funding, similar to Smart Scale (see #3 in policy initiatives table). Localities would not be allowed to request additional allocations for the same project, which is also a limitation found in Smart Scale.

The Transportation Alternatives program historically funds smaller projects, which can be advanced to construction in a limited time period. In fact, most project allocations are less than $800,000 and current policy is that projects must advance to construction within four years of the initial allocation. As we have found with Revenue Sharing, limiting the total funding available helps ensure allocations are distributed more equitably across the state and benefit more of the smaller localities. Therefore, staff is recommending that projects be restricted to a lifetime award of $2.5 million (see #6 in policy initiatives table). This also works very well with the proposed requirement to fully fund application requests, since Board members are limited in the amount they can individually distribute.

Current policy specifies $1 million to each District CTB Member with the remaining allocations provided to the At-large Members and the Secretary as a block. With the recent increase in federal funding, staff is recommending an adjustment to the distribution formula among the members so that allocations are equally distributed by percentage of funding available (see #4 in policy initiatives table). At-large Member and Secretary project selections would still be completed as a block to ensure appropriate distribution by population across the state.

The Bipartisan Infrastructure Legislation (BIL) also made changes to project activity eligibility and eligible entities. As we progress through these proposed policy initiatives, we will bring these to your attention for discussion as well.

	TRANSPORTATION ALTERNATIVES RECOMMENDATIONS			
	Proposed Policy Initiative	**Current Policy**	**Current Concerns**	**Anticipated Impact**
1	-Biennial Process	-Annual Process	-Program has already shifted to biennial process	-Formally establishes this change in CTB Policy and syncs process with Smart Scale and other funding programs
2	-Surplus funds from completed or canceled projects return 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	-Funds from projects selected by District Members remain in a separate District balance entry for use in that District.	-Current process is inefficient from a statewide needs perspective. -Population-specific allocations remain in Districts that may not need the allocation while other Districts which may need the funds cannot access.	-Syncs TA policy on surplus funding redistribution with other programs, such as Smart Scale -Ensure allocations are utilized in most efficient manner to meet statewide needs and federal obligation requirements -Ensures allocations are available statewide to address inflationary, material, and labor conditions affecting cost and project estimate increases.
3	-Fully fund selected project application requests, with restricted opportunities to request additional funding (similar to Smart Scale). Full funding may be over one or two application cycles depending on project schedule.	-Selected projects must be funded at a minimum of 50%.	-Partially funded projects advance more slowly until locality receives another application cycle funding or can find additional funds -Fear of paying back expended funds if the project has to be canceled due to lack of funding. -Occasions where localities have turned down the allocations when not fully funded, after the application an allocation period is over, leaving allocations un-programmed. -For example, of newly funded projects during the FY15/16 rounds, the average time to CN for fully funded projects was 3 years, and 3.6 years for partially funded projects. -Less concern with accurate estimates when localities anticipate the ability to request additional funding in a future application cycle.	-Sync funding policy with other programs – which fully fund requests. If a project is selected, the locality has the assurance it needs that the project will have federal funding support through construction. -Better initial estimates rather than expecting additional allocations at a future date. -Will need to coordinate implementation of this policy with TMA's for those projects that they select.
4	-Adjust District Member and At-large/Secretary CTB Member allocations to account for increased TA funding in IIJA so that allocations are equally distributed by percentage of funding available. At-Large/Secretary would still select as a block.	-District CTB Members receive $1M each annually ($2M per application cycle) for project selections and At-Large/Secretary receives the balance.	-IIJA has infused a significant amount of funding into the TA Program and the current policy does not keep up with the new funding amounts.	-Addresses increased availability of TAP funds -Provides equity in allocation distribution -New policy based on a % of funding available could account for any changes in allocations due to modifications from DOT of other funding mandates on the program -Current projections indicate that each District CTB Member would have $2.8M to distribute and Secretary/At-Large Block will receive $16.8.
5	-Eliminate allocation transfers between TAP projects within a locality. Requests for additional funds will be addressed on a statewide basis using a uniform reallocation process.	-Funding may be transferred within a District to other TAP projects with District Member concurrence, with no limit.	-Current policy incentivizes "banking" funds on one project with plans to transfer to other projects. -Current policy incentivizes poor estimates or establishing artificially high allocation requests.	-New policy ensures a fair allocation process across the state. -Disincentives increasing estimates and high allocation request so that surplus funds can be transferred to other projects -Syncs TAP allocation transfer process / policies with other programs.

6	-Establish a maximum lifetime award amount of $2.5 million per project.	- No cap	- As a limited funds program, the intent is to ensure as many local governments have access to the funds as possible and that projects reach advertisement within four years.	-Establishing a maximum lifetime award of $2.5M per project better aligns the nature of this limited funds program to applicant and VDOT expectations.
7	-Limit the number of TA pre-applications and full applications based on typologies currently used in Smart Scale.	-Currently, no limit exists to the number of pre-applications and full applications that can be submitted for funding consideration.	-Excessive staff reviews for project applications that are not high priority applications or not ready for funding. -A 3-1 ratio exists currently between the number (value) of applications submitted, to available funding for the program.	-Sync policy with other Programs, such as Smart Scale and Revenue Sharing, which limit applications. -Limiting application will require applicants to more strategically develop their respective applications. -In a review of 6 years of application data, with an average number of applications of 70, it is anticipated that this measure will impact fewer than 5 applicants each round. That said, over this period one likely affected community has submitted 28 applications, 19 have been funded, but 16 have not had scheduled dates established. -Capping the total number of applications is expected to improve long term project delivery for cases in which the recipient has received numerous TA grants, but has not advanced project development/delivery that is consistent with the CTB 4-year to construction policy. -Fewer applications provide more time for VDOT staff to devote to viable projects and help create better applications, estimates, scopes, etc.
8	-Require that agreements are executed by the locality within 6 months of allocation, or risk project deallocation.	-Current policy is 12 months	-As a 4-year to construction program, a delay of 12 months from allocation erodes a full year from potential project delivery. -Waiting 12 months for a project agreement slows spending.	-Requirement will better align programmatic and administrative requirements to the nature of a 4-year to construction funding program, and improve the potential to deliver the project on schedule.

<u>Revenue Sharing – 3-3-2023</u>

As you all know, the Board last implemented changes to the Revenue Sharing Policy in 2018. The table below entitled “Revenue Sharing Policy Changes-2018” provides a summary of those changes made to the Revenue Sharing program. You will notice that many of the changes to the Revenue Sharing policy affected the manner in which allocations were distributed or transferred after CTB award. At the time, the Revenue Sharing Policy Subcommittee noted that Revenue Sharing allocations had become dominated by larger localities and by large projects, and allocation transfers to projects within those larger localities were limiting the ability of smaller localities to take advantage of the Revenue Sharing program. Most allocations were provided to larger projects that already had Revenue Sharing allocations (priority 1 projects), leaving little allocations available for new (priority 2) and often smaller projects in smaller localities. Allocations were seldom sufficient to fully fund new (priority 2 projects) and never available for projects supporting a maintenance deficiency (priority 3 projects).

The consensus of the group was that any policy recommendations be made with the understanding that allocations are made to individual projects (rather than to localities in general) and policy should strive to ensure a fair and equitable distribution of limited funding. Accordingly, the 2018 CTB Policy focused on restricting the amount of Revenue Sharing funds any one locality could apply for and any one project could receive as well as limiting transfers of Revenue Sharing allocations from one project to another project in a single locality.

A provision of the 2018 Revenue Sharing Policy was to report to the Board on the results of the Policy changes. I am happy to say that the 2018 policy changes are working as we expected. For example during our first year of allocations after the new policy, allocations were sufficient to fully fund all priority 1 through 3 projects. Further, in the first five years of the new policy, staff deallocated $105 million from completed and cancelled projects, and made those allocations available statewide during subsequent application periods to support all localities. This significantly supports the Board’s desire to ensure allocations are distributed fairly and equitably. We would like to continue the success of the Board’s 2018 Policy changes and the table provided below, entitled “Revenue Sharing Policy Initiatives,” summarizes new policy proposals.

During the 2018 policy update, the Board did leave open the ability for “internal” transfers of Revenue Sharing allocations to separate projects within a locality under limited circumstances. However, the intent was for these transfers to be the exception, rather than the rule. For the three years <u>prior to the new policy</u>, staff performed 161 project transfers valued at approximately $106 million, averaging 120 project transfers valued at $35 million annually. During the first five years following implementation of the new policy, staff made 347 of these project transfers valued at $75.5 million, averaging 69 transfers valued at $15.1 million annually.

So, while these transfers have been significantly reduced, they continue to occur at a higher rate than anticipated. Accordingly, staff is recommending that we eliminate these transfers and replace the transfers with a prioritization process to distribute surplus allocations statewide to projects with the highest need (such as projects which have been adversely impacted by inflation; see #2 and #3 in Revenue Sharing Policy Initiatives table), further supporting the ability to equitably distribute the allocations statewide. Staff also notes that internal transfers is not consistent with the premise that allocations are made for single projects (rather than to localities) and is not consistent with other funding program allocation transfer policies. In addition, localities are finding creative solutions to keep allocations that would otherwise be deallocated and the number of transfers continues to place a strain on staff having to manage these transfers.

Staff is also recommending that we deallocate surplus funds on a rolling basis rather than on an annual basis (see #5 in Revenue Sharing Policy Initiatives table). The current annual process creates a situation where surplus funds can sit idle for over a year while we wait on the deallocation approval by the Board. A year-round deallocation process would allow surplus allocations to be put immediately to work where they are needed the most and when they are needed the most.

As you can see, these policy initiatives complement each other well and our expectations are that they will result in much more streamlined and equitable processes.

REVENUE SHARING POLICY CHANGES - 2018

	Policy	Previous Policy	NEW POLICY	Anticipated Impact / Purpose
1	**Initial Allocation from Application**			
1-a	• Locality Allocation Request Limitation	$10M per locality annually	$5M per locality annually ($10M per biennial application cycle).	Provide immediate impact of reducing Tier 1 requests allowing more localities and additional projects to receive Revenue Sharing allocations.
1-b	• Project Allocation Limitation	Unlimited	$10M per project (statewide match) lifetime, including transfers.	Provide long-term benefits by ensuring very large projects do not continue to exhaust limited Revenue Sharing funding at the disadvantage of smaller projects.
2	**Transfer of Revenue Sharing Funds**			
2-a	• Surplus funds from a completed project to existing Revenue Sharing Project	Funds transferred administratively; no restrictions	Project must be viable and in the current Six Year Improvement Plan with concurrence of District CTB Member.	Provides additional oversight and oversight with minimal delay. Provides some benefit of successfully completing project under budget and reduces future need on existing projects.
2-b	• Transfer from on-going Revenue Sharing project to on-going Revenue Sharing project	Funds transferred administratively; no restrictions	Must meet deallocation process requirements: project must be viable and in the current Six Year Improvement Plan; transfer can only go to a project which needs funding to go to advertisement or award within the next 12 months or to address a deficit on a completed project; with concurrence of District CTB member.	Ensures transfers are made only to projects with an immediate need and minimizes the ability to use Revenue Sharing program as funding source for projects which have not gone through application process. Ensures additional transparency and oversight with minimal delay.
2-c	• Surplus funds from a completed project to non-Revenue Sharing project	Project must be viable and in the current Six Year Improvement Plan; approved by CTB Action	Must meet deallocation process requirements: project must be viable and in the current Six Year Improvement Plan; transfer can only go to a project which needs funding to go to advertisement or award within the next 12 months or to address a deficit on a completed project; approved by CTB action.	Ensures transfers are made only to projects with an immediate need and minimizes the ability to use Revenue Sharing program as funding source for projects which have not gone through application process.
2-d	• Transfer from on-going Revenue Sharing project to non-Revenue Sharing project	Project must be viable and in the current Six Year Improvement Plan; approved by CTB Action	Must meet deallocation process requirements: project must be viable and in the current Six Year Improvement Plan; transfer can only go to a project which needs funding to go to advertisement or award within the next 12 months or to address a deficit on a completed project; approved by CTB action.	Ensures transfers are made only to projects with an immediate need and minimizes the ability to use Revenue Sharing program as funding source for projects which have not gone through application process.
2-e	• Surplus funds from a cancelled project	Funds currently may be transferred in accordance with policies applicable to existing Revenue Sharing project or non-Revenue Sharing projects	Surplus funds must be returned to Revenue Sharing Program Balance Entry; Funds may be reallocated only by CTB action.	Ensures funding which is no longer needed for an approved project returns to the Revenue Sharing Program balance.
2-f	• Miscellaneous Provisions	In some cases, a Locality has requested additional funds during application cycle to replace funding transferred to another project.	Clarification that a Locality may not request additional funds during application cycle to replace funds transferred off a Revenue Sharing project.	Prevents misuse of transfer process eliminating the replacement of funds that have been transferred to other projects; ensures localities plan and estimate for funding provided during application cycle.
3	**Other**			
3-a	• Deallocation process - Surplus funds after project completion	Project subject to deallocation **24 months** after projects is completed	Project subject to deallocation **6 months** after projects is completed.	Ensures timely reallocation of surplus funds.
3-b	• Timely expenditure of funding; requirement to expend funds within one year of CTB allocation	Projects must spend a portion of their Revenue Sharing funding within one year. Currently, there is no enforcement provision.	The CTB will have discretion to defer future project allocations when a project has not expended a portion of their Revenue Sharing Funds within one year of CTB allocation.	Helps ensure timely implementation of projects.

	REVENUE SHARING PROPOSED INITIATIVES			
	Proposed Policy Initiatives	**Current Policy**	**Current Concerns**	**Anticipated Impact**
1	-Biennial Process	-Annual Process	-Program has already shifted to biennial process	-Formally establishes this change in CTB Policy and syncs process with other Programs.
2	-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.	-Surplus funds from a completed project may be transferred to another existing Revenue Sharing or SYIP project within the locality going to advertisement within 12 months.	-Current process is inefficient from a statewide needs perspective. -Current policy incentivizes “banking” funds on one project with plans to transfer to other projects after the project is complete. -Current policy recognizes that allocations are made to individual projects, not localities	-Syncs RS policy on surplus funding redistribution with other programs, such as Smart Scale -Ensure allocations are utilized in most efficient manner to meet statewide needs -A central balance entry ensures allocations are available statewide to address ever-changing inflationary, material, and labor conditions affecting cost and project estimate increases.
3	-Eliminate all individual transfer requests within localities. Any redistribution or increased allocation to projects will be addressed on a statewide basis using a uniformed reallocation process.	-Allocations from current Revenue Sharing projects may be transferred to other Revenue Sharing projects within a locality; however, those transferred funds may not be backfilled	-Current policy still creates loopholes where localities continue to bank allocations on projects only to transfer to other projects. -Current policy is unfair to small localities managing only one or two projects concurrently and cannot take advantage of transferring funds across projects.	-Syncs RS policy on allocation transfers with other programs, such as Smart Scale. -De-incentivizes increasing estimates and high allocation request so that surplus funds can be transferred to other projects
4	-Require that agreements are signed and returned to the Department for execution within 6 months of project allocation, or risk project deallocation.	-Current policy is 12 months	-Many applicants return agreements within 6 months at present, however some are returned at month 12 or later. -A delay of 12 months from allocation erodes a full year from potential project delivery.	-Requirement will better align programmatic and administrative requirements, improving the potential to deliver the project on schedule.
5	-Modify deallocation process to allow year-round deallocations completely administratively by staff	-One time annual deallocation process with CTB approving deallocations in January	-Deallocated funds are not put to use in an efficient manner	-Allows deallocated funds to be immediately used when and if there is a need.