



MEMORANDUM

To: Transportation Committee

From: CMAP Staff

Date: January 13, 2012

Re: Requests from November 18 Transportation Committee meeting

Attached is the information requested at your November 18 meeting.

1. Report on CMAQ active program management
 - a. background and summary of current policies
 - b. experience of other MPOs
 - c. additional program management options
2. Table of CMAQ apportionments, expenditures and rescissions for northeastern Illinois 2002-2011.
3. Table of CMAQ programmed amount by reasons for delay
4. Table of CMAQ programmed and CMAQ unobligated balances by sponsor group

CMAQ Active Program Management Report

At the November meeting of the Transportation Committee, the Committee discussed the management of the Congestion Mitigation and Air Quality Improvement (CMAQ) program. The committee requested that staff put together materials on existing CMAQ program management policies. The following document includes a brief history on the management of the program, information on other MPOs' management policies and options for other program management activities. Due to the fact that many of the options are intended to change sponsor behavior related to project implementation, there is no way to predict what may result from the individual options.

Active Program Management Background

Since its inception, the CMAQ program has monitored project status to determine whether funds allocated to the region are being spent in a timely manner, and the air quality and congestion mitigation benefits of CMAQ projects are being realized.

For many years, monitoring took the form of a review of projects with unobligated balances. In some years, sponsors for all projects with unobligated balances were contacted. This ensured that no projects were overlooked. However, the number of active projects made it challenging to get useful responses.

So, in later years project sponsors were contacted based on selection criteria – projects that were two or more years old and had no obligation, were four or more years old and had at least ten percent of their funds still unobligated, or the project's estimated completion year was in the year of review. Using these criteria, the number of projects reviewed was reduced to thirty or forty – about a third of active projects at the time.

The CMAQ Project Selection Committee began discussing obligation management anew in the first half of 2006. Obligation management guidelines were adopted in September, 2006 by the Project Selection Committee, including consideration of withdrawing projects that do not obligate any funds in the first year they are programmed. In that same year, sponsors separated their projects into phases, with each phase programmed in the year it was expected to be completed. Prior CMAQ programs funded all project phases in the current year, leaving a considerable portion of the funds programmed, but unable to be obligated for an extended period while the initial phase was completed.

Additional discussions were held in 2008, when a potential lapse and large rescission at the end of fiscal 2009 were approaching. In the spring, staff and the Project Selection Committee reviewed the obligation status of projects and ultimately recommended three projects for removal from the program – in each case the sponsor had indicated that they did not intend to pursue the project.

In the fall of 2008, letters were sent to 45 sponsors of 2007 and 2008 projects that had not obligated funds. The Project Selection Committee set a December 31, 2008 deadline for either initiating the project (2008 projects) or obligating funds (2007 projects). No projects were ultimately removed from the program as a result of this effort; one sponsor voluntarily withdrew a project.

In December of 2008, the Project Selection Committee discussed a range of options for programming projects that were more likely to proceed. An updated programming and program management policy was adopted by the MPO Policy Committee in March, 2009, with several significant provisions. Notably:

- Programming a “B” list of projects that would be considered for funding if other projects were not proceeding.
- Semi-annual status updates in May and October, with removal from the program considered if progress benchmarks are not made.
- Establishing a “one-time move” policy for projects to obligate funds. Initially, projects that failed to obligate funds after the one-time move were to be removed from the program. As a result of committee discussions, this was modified so that projects would be considered for removal if the lack of progress was within the sponsor’s control.

In 2009, the Project Selection Committee agreed to program both the FY 2010 and FY 2011 CMAQ funds. In part, this was to allow more time for program management activities during 2010, when there would not be a call for projects.

September 2009 marked an \$83 million rescission from the CMAQ program. Since the CMAQ program was now out of fiscal constraint, the Project Selection Committee adopted a policy, now called the “CMAQ A” list, to move all projects with no obligations out of the TIP, with the understanding that a project could be brought into the TIP as soon as it was ready to obligate funds. No projects were removed from the program. This approach has been called the first ready, first funded approach.

Staff and the Project Selection Committee anticipated that the \$83 M in “over programmed” projects would help create an additional way of bringing down the unobligated balance, since there were now significantly more projects approved for the CMAQ program than there are funds available. The rescission was later rescinded; now the CMAQ A list is used as another effort at allowing flexibility in the CMAQ program.

\$70 million in CMAQ funds were obligated in 2010, a significant improvement over prior years. However, since the region receives between \$80 million and \$90 million in CMAQ funds each year, this improved obligation rate still left the region \$20 million further behind on obligations.

The fall 2009 status update reviewed 150 project phases, of which 91 requested a one-time move. Many of the projects requesting a move in this review were projects programmed from 2006 and before. During the summer of 2009 these projects had redone their funding so that project phases would appear in realistic years; the 2009 fall update was the first opportunity these projects had to make a one-time move. Although a few projects were considered for removal from the program because they did not respond to the status update request, ultimately no projects were removed.

Mandatory initiation meetings were held in November, 2009 with all sponsors of 2010-2011 projects. IDOT staff, CMAP staff and Planning Liaisons presented detailed information on the steps needed to implement a project, with emphasis on submitting IDOT’s Project Program Information forms (formerly

Job Request forms) in a timely and correct fashion, accurate scheduling of phases and using the Planning Liaisons effectively.

In the May, 2010 status review, five projects were identified for removal. In the end, two were removed with the acquiescence of the sponsors.

In the October, 2010 status review, twenty-one projects were identified for removal, either for failure to respond or for exceeding the one-time move limit. Following the receipt of additional information from sponsors, three projects were removed with the sponsors' agreement.

With adoption of GO TO 2040, CMAQ programming was restructured in early 2011 to help implement the plan's recommendations. One element of the restructuring was to program five years of CMAQ funds – in part to allow for a more coherent program of projects, but also to provide a larger pool of CMAQ projects to obligate; the policy is that a project in any year of the program may request permission to obligate funds if the sponsor is ready to do so.

In the Spring of 2011, the region was advised that approximately \$140 million in CMAQ funds were at risk of lapsing at the end of September, 2013. Since this amount was at the limits of what the CMAQ program had been able to obligate in past years, the Project Selection Committee considered whether "contingency" projects could be identified – projects that are CMAQ-eligible, are ready to obligate immediately, and are large enough to use a substantial amount of CMAQ funds. At a June meeting, the Project Selection Committee considered potential projects of this sort. Ultimately it was decided that it is preferable to implement the projects that were originally programmed. If the lapse potential still exists in the spring of 2013, the concept can be revisited at that time.

In the October, 2011 status update, 47 projects were identified as meeting the criteria for removal. To date, none have been removed from the CMAQ program.

Survey of Other MPOs

Staff has found limited information available from other MPOs on the policies they have implemented for the management of their regions' CMAQ programs. One observation made is that northeastern Illinois is not alone in its problems with obligating CMAQ funds in a timely manner. The following summaries are offered on the San Francisco and Seattle MPOs.

Metropolitan Transportation Commission (MTC), the San Francisco Bay Area's MPO

MTC has been extremely effective at ensuring timely obligation of funds and has actually been able to obtain unused obligation authority from other regions in the state. MTC develops its annual program with the expectation that it will be able to capture a larger share of the state's funds. By programming to the expected maximum funding level, MTC may end up with more projects programmed than it can actually fund in a given year. Projects that meet program deadlines are given priority to be moved into the Transportation Improvement Program (TIP) and receive funds. The process additionally prioritizes implementer projects that are accomplished on time. This process forces projects to compete for funds by demonstrating progress. Projects not funded in the first round may still get funding that year if there

are cost-savings in other projects, or if MTC is able to capture obligation authority from other regions in California who do not obligate in time and have portions of their obligation authority redistributed. To ensure that projects are completed on schedule, MTC strictly enforces project deadlines, does not allow cost increases, and pulls project funding when projects fail to perform.

In direct discussions with MTC staff, it was learned that MTC allocates funds to Congestion Management Agencies (CMAs), which are created by state law, and correspond roughly to counties. MTC gives the CMAs direction on what areas to program, with guidelines for specific program areas. The CMAs submit a program of projects which MTC reviews and puts in TIP.

The CMAs are responsible for monitoring progress. Projects that are delayed are removed from the program, but may return to the program in the future once their delay is resolved. Each spring, the CMAs review their obligation status and program additional projects if it appears that the existing projects will not fully obligate the funds available. To do this, they will issue a call for federalized projects that are CMAQ-eligible, increase funding for projects that do not have an 80% CMAQ federal share, or previously-delayed projects that are now ready to proceed.

Placing the responsibility on the CMAs, with the use of contingency projects and active program management has resulted in a high obligation rate, with only a few (2) projects that have been dropped in the past 15 years for lack of progress

Puget Sound Regional Council (PSRC), the Seattle area's MPO

The PSRC requires that all STP- and CMAQ-funded projects designate the year each phase will obligate. Planning and design phases are expected to obligate the programmed funds in the designated year while the ROW acquisition and construction phases are allowed a one-year grace period beyond the designated year. Extensions may be granted but the cause of delay must be deemed to be clearly beyond the control of the sponsor. The example given of "beyond the control of the sponsor" is a lawsuit. All projects must submit quarterly status reports on every project and PSRC staff compare them to the project milestone schedules to monitor delay. Quarterly reports are made by staff to the oversight committees. A contingency list of projects is maintained by the PSRC for the purpose of handling unused funds prior to the next call for projects.

To date, PSRC has not responded to direct contact to discuss effectiveness – only their published active program management policies have been reviewed.

Additional Program Management Options

CMAQ staff has put together some possible additional tools for actively managing the CMAQ program. The current practice for actively managing the CMAQ program includes a review of project status, taking into consideration the reasons for delay. It has proven a challenge to remove projects based on reasons for delay because every project has a reason for delay. The sponsors of projects, including those sitting on the Project Selection Committee, have an incentive to advocate project retention. There is no real constituency for removing projects. Most of these tools can be implemented for current projects as well

as future projects. These tools are intended to not only move lagging projects forward but to also create a behavioral change in how sponsors request projects for funding – therefore it is not useful to estimate how the current programmed projects would be affected.

Obligation Sunset

Each project provides a realistic schedule for the obligation of the funds for each phase involved in the project. Each phase will be expected to obligate its programmed CMAQ funding within a certain time. For example, a project phase must be obligated no later than two years subsequent to the year in which the sponsor programmed the phase. So if a sponsor programs a project’s phase I engineering in FFY 2012, that project phase may be obligated in FFY 2012, 2013 or 2014. If the phase is not obligated by end of federal fiscal year 2014, than that phase and any subsequent phases of the project will automatically be removed from the CMAQ program.

The sponsor may re-submit the removed phase and subsequent phases at the next call for projects.

Accomplishment Sunset

An accomplishment sunset is allowing a specified time for a project phase to be accomplished. The chart below defines “accomplished” for the individual phases in both the highway and transit formats:

<u>Phase</u>	<u>FHWA</u>	<u>FTA</u>
Phase 1 Engineering	Design Approval	FTA Grant Approval
Phase 2 Engineering	Pre-Final Plans to Dist 1 IDOT	FTA Grant Approval
ROW	ROW Certified by IDOT Dist 1	FTA Grant Approval
Construction	Letting	FTA Grant Approval
Implementation	Federal Authorization	FTA Grant Approval

Each project provides a realistic schedule for phase accomplishment when the project application is submitted. Each phase will be expected to be accomplished within a certain time frame. The table below lays out the time frames that could be used based within the 1 + 3 timeframe within which federal funds must be obligated.

Options for phase sunset include:

Option	Explanation	Pros	Cons
1 Year	Remove project funding if one phase is not accomplished in the year programmed.	Strong motivation to accomplish projects in established realistic schedule.	Unrealistic based on historical data.
2 Years	Remove project funding if one phase is not accomplished in the year scheduled + one additional year	Some flexibility for unanticipated project issues.	Difficult to achieve based on historical data and Number of more than 1 one-time move.

3 Years	Remove project funding if one phase is not accomplished in the year scheduled + two additional years	Allows flexibility for unanticipated project issues.	Difficult to anticipate annual obligations
4 Years	Remove project funding if one phase is not accomplished in the year scheduled + three additional years	Allows flexibility for unanticipated project issues.	Difficult to anticipate annual obligations; Difficult to allow time for reprogramming of funds for expenditure before lapse.

Variable Local Match

Some local suburban councils of mayors use variable match depending on what phases are funded with local STP funding. This could be adapted to CMAQ to encourage local sponsors to accomplish phases that have historically delayed projects.

Projects Requiring ROW

Phase	All Phases Funded	PHI Locally Funded	PHI and ROW Locally Funded	PHI, PHII, and ROW Locally Funded
PHI	50/50	Locally Funded	Locally Funded	Locally Funded
PHII	50/50	60/40	70/30	Locally Funded
ROW	50/50	60/40	Locally Funded	Locally Funded
Construction/IMP	50/50	60/40	70/30	80/20

Projects Not Requiring ROW

Phase	All Phases Funded	PHI Locally Funded	PHI and PHII Locally Funded
PHI	50/50	Locally Funded	Locally Funded
PHII	50/50	70/30	Locally Funded
Construction/IMP	50/50	70/30	80/20

Sliding Scale for Federal Match

Another option is to encourage timely implementation of phases by creating rules that would adjust the federal match portion based on accomplishment. This could be completed in two different ways.

Project Specific: If a phase is accomplished in the year it was originally scheduled that phase could be funded at 100%; 90% or 80%. If the phase is accomplished one year later than the originally scheduled year it could be funded at 90%; 80% or 70% federal and so forth. A decreasing match for each year

delayed is the theme – a set percentage match would need to be chosen and decreased for each year of delay. Of course 100% funding is currently possible – however that is not guaranteed as it could be rescinded by an act of Congress.

Implementer Specific: If an implementer has historically not accomplished projects their local match would increase based on percentage of funds received and obligated.

There are disadvantages to this approach.

- Decreasing the match once a project is programmed is an impediment to implementation due to the required additional local match.
- Administrative work regarding funding agreements and budgeting will be difficult for local agencies.
- If the federal portion decreases, that does not assist directly with spending down the unobligated balance.

Not Funding Phase I Engineering

For highway projects, most delays and project issues arise during PHI engineering. The committee could consider not funding PHI engineering to ensure project development is underway and the project is a high priority of the implementer. While this would mean that programmed projects would have a more accurate scope of work developed prior to funding commitments being made, some projects may not get programmed if sponsors lack the funding for phase I engineering.

Some sub-regional councils of mayors only fund the construction phase of projects, so there is precedent for this approach in the region. The McHenry County Council of Mayors, Lake County Council of Mayors and DuPage Mayors and Managers Conference are three examples of councils of mayors that only fund construction. These councils of mayors have historically had low unobligated balances.

Limiting Cost Increases

Not allowing project cost increases is another tool for actively managing the CMAQ program. If project sponsors are aware that additional funds are not available this will:

- Encourage timely completion to avoid inflationary costs
- Provide motivation for increased accuracy in cost submittals, although overestimating costs could become a problem
- Promote completion of PHI engineering prior to applying

However, this method will also

- Require withdrawal of projects that have costly delays or costly scope changes
- Without a method for automatic project removal, projects could continue to linger.

Obligation Goals

An obligation goal could be set by the Project Selection Committee through the Transportation Committee in September for the upcoming Federal Fiscal Year (FFY). Or, goals could be set for numerous years in order to address the entire unobligated balance. Such a goal could be developed using historical allotments and an additional amount to spend down the unobligated balance in manageable amounts. In the spring the Project Selection Committee will assess the progress toward the obligation goal. If it is anticipated that projects will not move forward within the FFY they will be removed from the active program and the funds will be applied to other projects that can be obligated within the fiscal year.

How the Project Selection Committee chooses to fill the gap between the anticipated obligations and the goal in May has many different options.

- Moving up ready projects from out years.
- Moving ready B list projects into the active program.
- Selecting contingency projects for the active program.

Projects that have been removed from the program due to lack of accomplishment could be considered for contingency funding. Such projects would not remain eligible for contingency funding indefinitely, but would be active for some period following removal from the program. If the projects are not accomplished during this period, they will be removed from the program without consideration of the reason for delay or future schedule. Those projects are welcome to re-apply during future calls for projects.

Additional contingency projects include CMAQ–eligible, ready to go projects currently funded with other sources, or the creation of a flexible regional program such as Free Transit service on air pollution action days.



CMAQ Apportionments, Expenditures and Rescissions for NE Illinois 2002-2011

Year	Apportionment to NE IL	Obligation	Rescission	Remaining Apportionment
2002	\$81,626,610	\$25,204,513	\$1,012,128	\$55,409,969
2003	\$69,529,457	\$35,363,832	\$0	\$34,165,625
2004	\$91,760,904	\$28,976,230	\$0	\$62,784,674
2005	\$74,094,723	\$46,797,679	\$8,869,179	\$18,427,865
2006	\$77,170,533	\$76,248,501	\$30,143,947	-\$29,221,915
2007	\$86,224,479	\$28,870,823	\$17,589,560	\$39,764,096
2008	\$89,607,969	\$78,331,167	\$11,324,403	-\$47,601
2009	\$91,219,283	\$39,268,938	\$99,660,377	-\$47,710,032
2010	\$183,262,700	\$70,319,728	\$0	\$112,942,972
2011	\$111,333,901	\$70,158,785	\$37,176,401	\$3,998,715
			\$205,775,995	\$250,514,369

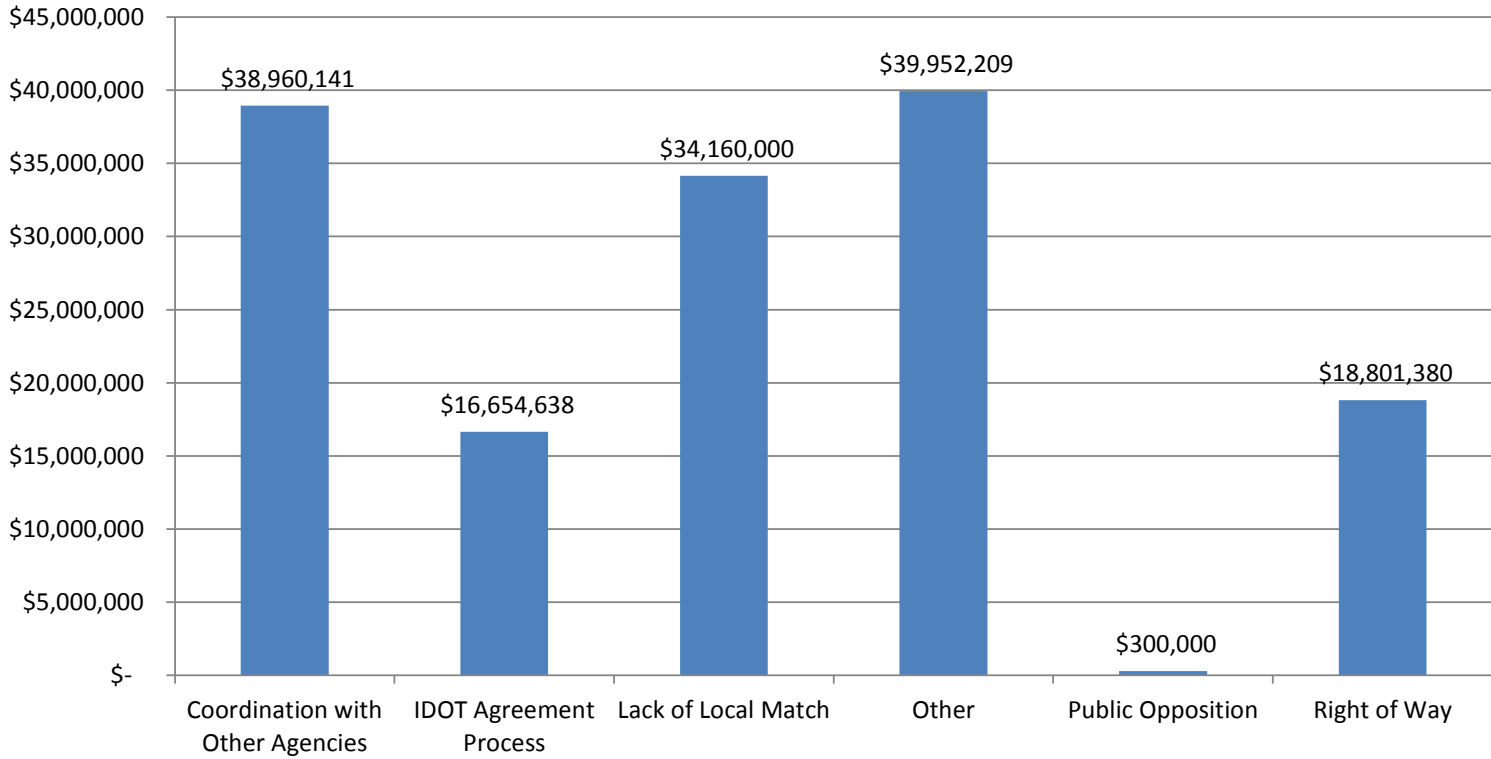
As of September 30, 2011

All obligations are recorded in the latest year of action by IDOT

2010 Apportionment includes the SAFETEA-LU Rescission Reinstatement (\$79,574,623)



CMAQ 2011 October Status Updates Reason for Delay by Program Funded Amounts



	Programmed Funds (federal)	# Projects
Coordination with Other Agencies	\$ 38,960,141	37
IDOT Agreement Process	\$ 16,654,638	17
Lack of Local Match	\$ 34,160,000	3
Other	\$ 39,952,209	25
Public Opposition	\$ 300,000	1
Right of Way	\$ 18,801,380	9
Grand Total	\$ 148,828,368	92



Chicago Metropolitan
Agency for Planning

CMAQ Programmed and Unobligated Balances by Sponsor Group 1992-2011

Sponsor Group	Programmed	% of Programmed	Unobligated*	% of Unobligated
Chicago	\$ 394,675,007	29%	\$ 125,453,291	42%
County	\$ 154,209,297	11%	\$ 64,868,951	22%
CTA	\$ 80,457,761	6%	\$ 11,426,410	4%
IDOT	\$ 86,025,886	6%	\$ 10,377,832	3%
IEPA	\$ 207,794,125	15%	\$ 7,224,430	2%
Metra	\$ 87,818,705	7%	\$ 3,312,455	1%
Municipal Suburban/Other Local	\$ 240,284,239	18%	\$ 63,789,957	21%
Other	\$ 283,000	0%	\$ 136,177	0%
Pace	\$ 85,602,662	6%	\$ 10,429,557	3%
RTA	\$ 6,926,400	1%	\$ -	0%
Grand Total	\$ 1,344,077,082	100%	\$ 298,090,002	100%

* As of September 30, 2011

** As of July 30, 2011