



MEMORANDUM

To: CMAQ Project Selection Committee

From: CMAP Staff

Date: April 3, 2014

Re: Fiscal Constraint

At this time, the TIP fiscal constraint report shows a balance of \$9.27 million in FFY 14 CMAQ funds, a value that does not reflect advanced construction obligations and deferred project line items. Thus, moving projects in excess of the balance into FFY 14 will require moving projects into later fiscal years. Note, however, that the TIP shows a balance of less than \$1 million in FFY 15 CMAQ funds; projects moved from FFY 14 will thus need to be moved into FFY 16 or 17, or projects from FFY 15 also will need to be moved back.

For the past several years, CMAP has put considerable effort into getting CMAQ funds obligated and expended. The obligation goal for FFY 14 is \$138.6 million; to date \$29.2 million has been obligated. While the main project lettings are still in the future, the region has to obligate aggressively to reach its goal. With this in mind, significant projects that are ready to obligate funds will help achieve the region's goals.

However, moving projects out of the current fiscal year needs to be done carefully, lest projects currently in FFY 14 that are ready to obligate are delayed. The following considerations may influence how to handle this situation:

- Sponsors requesting changes to the program in excess of the available balance should provide strong evidence that the projects to be moved are fully ready to obligate.
- As long as the federal obligation mechanisms permit, projects should use a "tiered" approach, obligating only what is required for the near-term needs. "Locking in" funds should be discouraged. Note that Federal Transit Administration procedures now permit CMAQ funds that are unexpended to return to the region once a grant is closed. This is a change from several years ago, and the funds are not as easily reclaimed as are funds administered through the Federal Highway Administration, but it is still possible.
- Completion of the May status update will give a much better picture of which projects in the current fiscal year are unlikely to obligate, and hence are safer to move to an out

year. Note that candidate projects to consider moving are in the Line Item Summary Report posted with the meeting materials.

- Project sponsors wishing to move a project up may be asked to identify projects of their own to move back. The intent is not to allow sponsors to move CMAQ projects between years at will – the CMAP Board and MPO Policy Committee adopted a specific program with specific projects in specific years – but rather to have sponsors take a hard look at their own projects before placing a burden on other sponsors.
- Leaving a modest amount of CMAQ funds unprogrammed in the TIP will allow other projects that need cost increases or a fiscal year change to do so without undue disruption. On the other hand, it may be appropriate to cease granting cost increases to maximize funds available for projects being moved up.

If the Committee would like to consider policy changes, several different options can be considered:

- Continue the policy of “first ready, first funded” if funds are available, regardless of the years in which the projects are programmed. This will be to the advantage of projects that are ready, and will maximize obligations. The program and management policies call for moving in out year projects if additional projects are needed to meet the obligation goal. The subject is different in that there is not an expectation that the obligation goal will not be met, but there are similarities.
- Allow “first ready” projects to proceed utilizing unobligated funds that are programmed for other projects, regardless of the risk to projects programmed in the current year that will be ready to obligate later in the year.
- Implement the projects as programmed. This policy would minimize the movement of projects, but some ready-to-go projects would be delayed, and the overall obligations are likely to be less, since some projects that expect to obligate will not do so.
- Moving the construction phase up can be given a higher priority than moving up an engineering phase. Construction phases typically obligate more funds than engineering phases and projects ready for construction have a shorter “shelf life” than projects that are still in engineering.
- When choosing which projects to move out of the current year, possible priorities are:
 - Move deferred projects first – this has limited impact, since most deferred project phases have no funding, but if a deferred phase has an obligation that is less than the programmed amount, there may be a balance.
 - Move projects with later sunset years first; if a project that sunsets in the current year is moved, then it will automatically be deferred.
 - Move projects with earlier sunset years first. Experience shows that restoring deferred projects is not a large burden, and the sunset procedure removes funding, so that the moved project won’t have an impact on future years’ fiscal constraint.
 - Consideration should be given to projects that are using other fund sources with sunsets of their own. This is not common, but if a sponsor is able to obtain funding beyond CMAQ, they should be supported.

Staff received requests from the City of Chicago to re-program into FFY 14 two projects, totaling over \$55 million in federal CMAQ funds. Staff has also had discussions with sponsors of other substantial projects regarding schedule changes.

Action requested: Discussion