



MEMORANDUM

To: Local Coordinating Committee

From: Bob Dean, Deputy Executive Director for Local Planning

Date: February 3, 2016

Re: Implication of State Budget on LTA Program

The inability of the State of Illinois to pass a budget has had direct financial impacts on CMAP. In fall 2015, due to the lack of a state budget, CMAP faced a cash-flow crisis that nearly resulted in a shutdown of the agency, risking all of the region's federal transportation funding. This outcome was averted through unprecedented action by the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) to temporarily provide funding directly to our agency. This temporary fix provides us the federal portion (80%) of our funds for the current fiscal year and will allow the agency's operations to continue for a time.

However, this agreement, while necessary to keep CMAP operational, is incomplete in two ways:

- First, it provides for the pass-through of federal funds, but state funds remain on hold. CMAP's current FY16 budget estimates approximately \$3.6 million in funding from the Illinois Department of Transportation (IDOT), or 20% of the agency's budget. This funding has not been received, and in the absence of a state budget, is unlikely to be received.
- Second, the agreement to keep CMAP operational only covers activities in the current FY16 budget. However, many of CMAP's projects that involve external consultants – including over \$1 million for the LTA program alone – are funded through multi-year contracts with dollars that originated in prior fiscal years. These are not covered by the agreement.

Thus, while CMAP is able to continue to operate so far, the agency is not operating at full strength. A more thorough analysis of the agency's funding, and possible **legislative solutions** and **non-legislative solutions**, were discussed with the Board in January. However, those are longer-term discussions that will not meaningfully affect the budget until next fiscal year (beginning July 1) at the earliest. This memo describes problems with immediate implications for the agency's work in a number of areas, including the LTA program.

Implications for current LTA projects

Of the 50 LTA projects that are currently underway, approximately two-thirds are being led by CMAP staff, and one-third are led by external consultants on contract with CMAP. Staff-led projects, which make up the majority of the LTA program, will continue without interruption. However, numerous consultant-led projects are facing delays. Because of CMAP's inability to have contract expenses reimbursed, we have unpaid bills from a number of contractors, and are unable to pay invoices going forward. While contractors have been understanding of CMAP's situation, some are unable to continue actively working due to our lack of payment.

Generally, contractors who are nearly complete with their projects have agreed to continue working to finish them, but those that are at earlier stages are pausing or slowing work until they can be paid. At present, it appears that nine active projects will be experiencing delays related to this issue. For two additional projects, contractor procurement has been completed, but project startup will be delayed until funding is available.

Additionally, five LTA projects selected in FY16 were intended to be contracted to consultants. In most cases, these projects will instead be converted to staff-led projects. While this will allow them proceed, there will still be impacts on project schedules, as staff time is already fully allocated. As a result, the start dates for several newly selected projects will be pushed farther into the future.

In a handful of cases, local project sponsors have proposed extraordinary measures – such as fronting the funding to pay consultants themselves, with repayment by CMAP when possible – to allow projects to continue. These are being evaluated on a case-by-case basis, but in general, CMAP intends to pursue any action that can allow projects to continue without delays, including unusual financial measures like these.

Implications for future projects

If a new state budget is not passed before April, staff recommends cancelling this year's scheduled LTA Call for Projects. The lack of contract funding has placed a greater burden on staff, meaning that we are now over-programmed. It does not seem responsible to solicit new project ideas when there is limited capacity to take on new projects. Instead, staff recommends focusing efforts over the next year on reducing the backlog of projects that has been created by the contract budget issues described above. If a state budget is passed by April, the Call for Projects would occur as scheduled.

Conclusion

While the current budget situation is not good, the adjustments to the LTA program described above will keep the program operating. A number of projects will experience delays, and the annual rate of project completion will drop, but all project commitments will be honored. Once a state budget is passed, the LTA program will be able to be restored to its former scale.

ACTION REQUESTED: Discussion

###