

## STBG Obligation Target and STIP Fiscal Constraints

### April 2021 IRTPO Executive Board Meeting

#### Background:

- 1) The IRTPO has a six-year planning horizon for the Regional Transportation Improvement Program (RTIP). We award our anticipated allocation of Surface Transportation Block Grant (STBG) funding six years into the future. STBG includes a set-aside amount for Transportation Alternatives (TA) projects.
- 2) The State Transportation Improvement Program (STIP) has a four-year window, and the total amount of all projects within that window must be fiscally constrained. That is, we cannot program projects in the STIP that total more than the funding allocation of each program for each year.
- 3) WSDOT manages the STBG/TA funds, statewide. If the State of Washington as a whole, fails to obligate all of the allocated federal funds, those funds become forfeit and are sent to other states. In addition, our statewide allocation would be reduced in future years. Because of this, WSDOT had a similar program for MPOs and RTPOs. If we fail to obligate all available funds by September 30<sup>th</sup>, we will be put on a kind of probation. If we fail to meet our obligation target the second year (including the amount leftover from the first year) we will be sanctioned. That means that not only will we lose the money to other projects within the state, but we will have a reduced allocation in future years. (This is a use-it or lose-it program.)

#### Current Situation:

So far, for Federal Fiscal Year 2021, IRTPO members have not obligated any STBG funds. The projects that are expected to obligate before the end of September are as follows:

Clinton P&R/SR 525 Improvements CN phase	\$ 230,000
IRTPO operating funds	\$ 88,667
<u>SR 20 Widening ROW phase</u>	<u>\$ 745,630</u>
Total anticipated FFY 2021 obligation	<b>\$1,064,297</b>
Obligation Target	<b>\$1,284,330</b>
<b>2021 amount short</b> (IF all projects obligate on time)	<b>\$ 220,033</b>

*Missing this mark would put us on "probation", but we would not lose funds this year.*

For FFY 2022, the only project expected to obligate by September 30, 2022 is as follows:

NE 7 <sup>th</sup> Avenue CN phase	\$ 540,000
Obligation Target 2021)	\$1,052,806 (+ anything not obligated in
<b>2022 amount short</b> (IF all 7 <sup>th</sup> Avenue obligates on time)	<b>\$ 512,806</b>

If we miss the target two years in a row, we will forfeit the remaining funds and have a reduced allocation going forward. **The amount we stand to lose if we miss both targets is \$732,839.** Our future allocations will also be reduced by this amount. **That would take our annual allocation from \$1,052,806 to \$319,916.** We would then have to decide which of the IRTPO member projects that have been awarded future funds would lose funding. (It would be like a reverse Call for Projects.)

## Opportunities:

The best way to avoid sanctions is to avoid missing the obligation target. With that in mind, we do have a few possibilities to bridge the gap.

- 1) Dave Kaiser (WSDOT Federal Authorization and Reporting) has suggested the following:

*The Port's passenger-only ferry dock project is STBG eligible. Should you choose, you can change the current TAP funding to STBG and/or award it additional STBG for CN. Regardless of how much funding you award to this or any project, those funds would still need to be obligated by September to count towards your 2021 target.*

\* This action would also alleviate the fiscal constraint issue with the TA (or TAP) projects, as identified in the STIP.

- 2) Bill Oakes has suggesting moving the PE phase of the East Camano/Cross Island Road project from 2025 to 2021. There is no funding source identified for ROW or CN for this project.
- 3) There is a slight possibility the SR 20 widening project could obligate CN funds as early as September of 2022. However, the project is not fully funded and no CN funds can be obligated until all funding is in place.
- 4) The last option is to let the obligation target pass for 2021, and take all possible steps to make sure we do not miss the target the second year, leading to sanctions.

## Analysis:

### **Port of South Whidbey**

The Port of South Whidbey originally requested \$650,000 for the dock replacement project. The Port was awarded \$319,000 in TA funds. If we award the Port \$650,000 in STBG funds, we could put that in the STIP as \$220,000 in 2021, and \$430,000 in 2022.

- Assuming all other projects on the list obligate in time, this would meet our goal for 2021, and bring us to within ~ \$83,000 of our goal for 2022.
- Shifting this funding from STBG to TA also alleviates the fiscal constraint issue with TA funding in the STIP
- The Port already has staff working with WSDOT Local Programs on this project and is ready to go to ad for design services as soon as the funds can be obligated.
- The Port funded the initial phase (removal of the existing, damaged structure) in-house.

### **East Camano/Cross Island Intersection**

Island County requested, and was awarded, \$800,000 for the PE phase for this roundabout project on Camano Island.

- The PE phase was initially slated for 2025, but could be brought into this year, if staffing is available to obligate funds and manage the project.
- There is no funding pool identified for ROW or CN phases.

### **SR 20 Shoulder Widening: Race to Welcher**

IRTPO has awarded funds to the joint County/WSDOT project on SR 20 in two, consecutive award cycles. In 2018, \$1,230,000 was awarded. In 2020, \$1,950,000 was awarded. Adding in the County match of just under \$500,000, the project funding is still more than \$800,000 short of the original cost estimate. New cost estimates from late March indicate that the project is closer to \$1,200,000 short of full funding.

- This project is currently in design and the Project Manager expects to obligate ROW funds by September of this year. *If the environmental is not completed in time, the ROW will not be obligated in 2021, leaving us further short of the 2021 obligation target.*
- STBG CN funds cannot be obligated until full funding for the project is identified.
- WSDOT is requesting a federal earmark for the remaining funding.

### **Do Nothing Option**

IRTPO could opt to make no changes for 2021, with the intention of hitting the target in 2022, to avoid sanctions. This option is viable, but risky. In 2020, a local MPO (one with a much bigger budget than IRTPO) missed its obligation target by about \$25,000, because two projects completed under-budget and previously obligated funds were returned. This year, because of a multitude of issues related to COVID and staffing, etc., some of that MPO's agencies have pushed projects out or canceled them. The MPO anticipates missing the obligation target this year by more than \$1,000,000. At the recent MPO/RTPO/WSDOT Coordinating Council, that MPO Director pleaded for grace, and was told that there was nothing that could be done. This is the second year in a row, therefore the sanctions will apply to this amount and future funding allocations.

Bottom line: There is no wiggle room! I do not recommend the IRTPO take this risk.

### **Staff Recommendation:**

It is the responsibility of the TAC to make a recommendation to the Executive Board on how to, or whether to, address this issue. My recommendation to the TAC is to convert the \$319,000 in TA funds awarded to Port of South Whidbey to STBG funds, and award an additional \$331,000 in STBG funds to fully fund the project as requested in the application. This action would eliminate the issues with both the TA over-programming and the STBG under-programming for 2021 and 2022.

On April 8, 2021, the TAC voted to send the staff recommendation forward to the Executive Board.

## Highway Infrastructure Program

In 2018, the Island Region was allocated \$151,000 in HIP funds that also must be obligated by September of 2021. Approximately \$105,000 of this money must be spend in an urban area (per WSDOT, Oak Harbor) At this time, Oak Harbor does not have staff available to obligate and manage these funds.

The remaining \$46,000 could be used for rural areas. However, complying with all the requirements of federal funds is time consuming and expensive. It is not economical to put \$46,000 into a project when it will cost at least that much to follow federal regulations. Because the allocation is so small, this program simply does not work for rural counties. It is likely that we will be “leaving this money on the table” for this round.