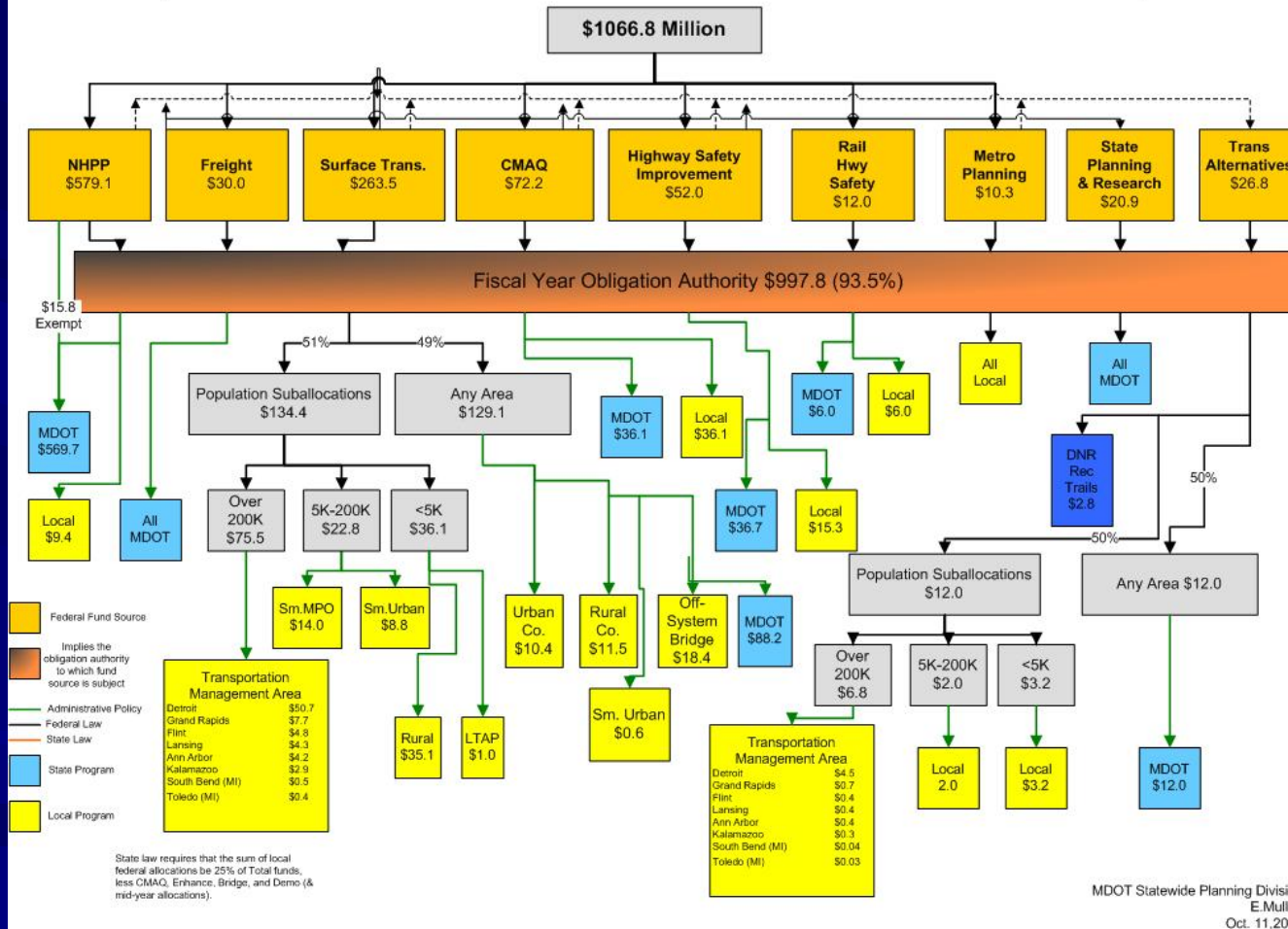


Federal Aid

December 2016

Federal Aid

FEDERAL AID TO HIGHWAYS PROGRAM - MICHIGAN, FY 2016



Federal Funding has 3 Issues?

- Carryover—Allocation vs. Obligation Authority
 - First Come, First Serve
 - Pro Rata vs. Lump Sum
- Today's focus is on Carryover, but the other two issues play a part

Definitions

Transportation Finance Definitions

<p>Authorization Act- Basic substantive legislation that establishes or continues Federal programs or agencies and establishes an upper limit on the amount of funds for the program(s). Traditionally a six-year bill. Contains the formulas for apportionment.</p>	<p>Appropriations Act- Action of a legislative body that makes funds available for expenditure with specific limitations as to amount, purpose and duration. Passed annually. Specifies the amount of funds that Congress will make available for the fiscal year to liquidate obligations.</p>
<p>Apportionment- The distribution of funds as prescribed by a statutory formula.</p>	<p>Obligation Authority- The total amount of funds that may be obligated in a year.</p>
<p>Allocation- The administrative distribution of funds for programs that do not have distribution formulas.</p>	<p>Obligation- The Federal government's legal commitment (promise) to pay or reimburse the States or other entities for the Federal Share of a project's eligible costs.</p>

Apportionment & Allocations

- Received by the state in many categories
 - National Highway Performance Program (NHPP)
 - Surface Transportation Program (STP)
 - Highway Safety Improvement Program (HSIP)
 - Congestion Mitigation Air Quality (CMAQ)
 - Transportation Alternatives Program (TAP)
 - Other Funding Sources

Apportionments & Allocations

- Set every year based on multi year authorizations (Reauthorization)
- Technically carry over from year to year
(Cannot be obligated without additional Obligation Limitation)
- Specific rules and regulations for distribution and use of each funding source
- Divided to various State programs (Rural, TMA, Small MPO, Small Urban, Safety, CMAQ, etc.)

Obligation Limitation (Obligation Authority)

■ What is it?

- A budgetary mechanism to control Federal spending
- A promise by the federal government to pay

■ Who does it?

- Congress-through legislation

■ Why?

- To be responsive to current budget policies

Obligation Authority

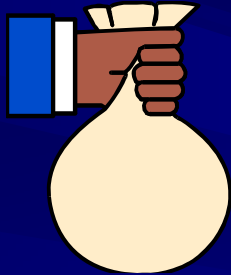
- State by state limit set by Congress each year
- Good for 1 year (with exceptions)
- Applies to total program not specific categories
- Usually less than apportionments and allocations
- Commonly expressed as a percentage of apportionment

Obligation Authority

- Act 51 splits the Obligation Authority in Michigan 75/25 between MDOT and Local
- For many years there no further breakdown of Obligation Authority (with exceptions)
- Now there is a separate local amount for RTFs

Federal Aid

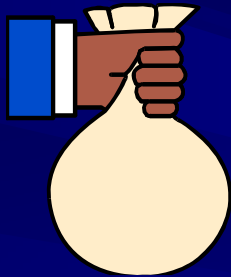
Apportionment
& Allocations



\$100

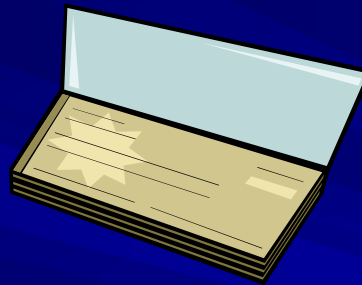
Federal Aid

Apportionment
& Allocations



\$100

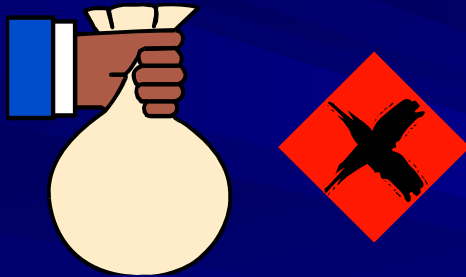
Obligation
Authority



90%

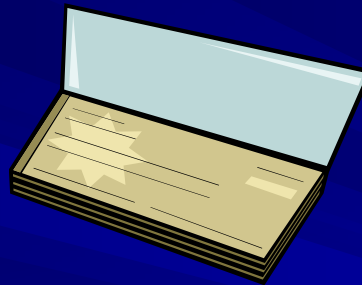
Federal Aid

Apportionment
& Allocations



\$100

Obligation
Authority



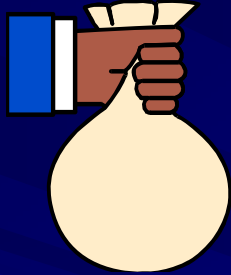
90%

Amount
Available

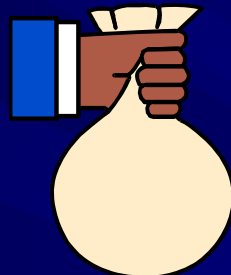


\$90

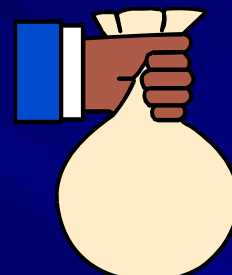
Local Situation



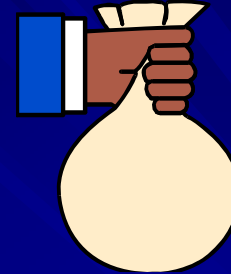
\$100



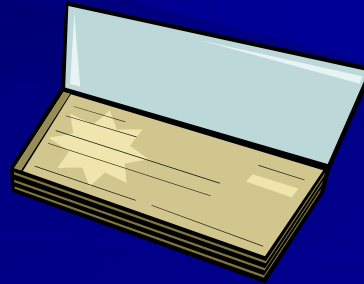
\$100



\$100



\$100



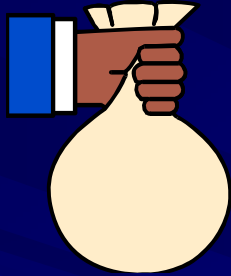
\$360

Funding Decisions

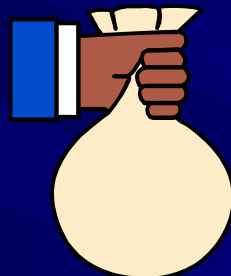
- Is the Project in the S/TIP?
- Is the Project Federal Aid Eligible?
- Is there apportionment or allocation available for the project?
- Is there obligation authority available for the project?

The answer to each question must be “YES”

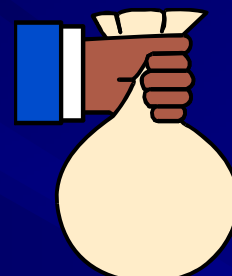
Local Situation



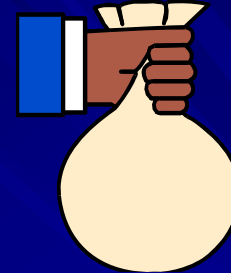
\$100



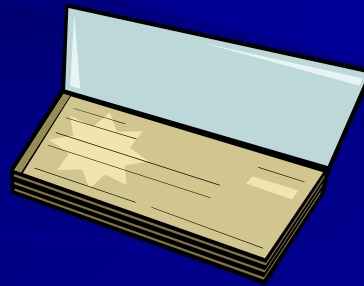
\$100



\$100



\$60



\$360

1st Come, 1st Serve

- The 1st projects turned into Local Agency Programs that answer the Funding Decision Questions “YES” will be given Obligation Authority
- The last projects in may have to wait until next year for funding
- The next year may already have a full schedule of projects

Fiscal Constraint

- Requirement of the S/TIP
- Demonstrated at the Apportionment / Allocation level of funding
- Only uses funds Apportioned and Allocated during that year
- Apportionment / Allocation level recognizes a reasonable level of over programming

Fiscal Constraint and Carryover

- Carryover of Apportionment / Allocations violates our Fiscal Constraint Agreements
- Carryover would add even more projects to the over programmed amount
- Reduces the flexibility that MDOT builds into our program by programming to estimated Obligation Limitation.

The MPO Advantage

- More organized than other local programs
- Meet monthly in most cases
- Receive a sizeable amount of funding on a continuous basis

Take Advantage of the Rules

- Get your Projects in Early!
- Communicate any delays with your MPO partners ASAP
- This will increase access to the Obligation Authority
- Be prepared for any additional funds that might become available

Questions?

■ Contact:

- Eric Mullen
- Federal Revenue Specialist
- mullene@Michigan.gov
- 517-241-2251

The “Extra” \$54 Million

- Obligation Authority, Not Apportionment
- Unspent by locals in prior years
 - ARRA provided 100% funding?
 - Lack of matching funds?
 - Economic downturn?
- MDOT spent the funds to avoid returning them to Washington for distribution to other states

Returning the Funds to the Locals

■ The initial plan

- Tell the locals how large the balance had become
- Why it was a burden to MDOT
- Explain that it was available via 1st Come, 1st Serve
- MDOT wanted to be clear of the debt to the locals in 3 years

■ Resulted in additional \$500K obligated in the year 1

How do we speed up the process?

- MDOT brainstormed many ideas
 - Pooling all carryover apportionment
- Met with CRAM, MML, and the MTPA
 - Did not care for pooling
 - Asked for spending targets
- MDOT agreed to supply targets for 2013 and delay pooling of funds until 2014

Target Development

- Targeted \$53.5 million of Obligation Authority based on the proportional share of Apportionment in each local account
- Early August status meeting was not encouraging
- Resulted in the entire \$53.5 million being obligated on local projects in FY 2013

Questions?

Eric Mullen

MDOT-Federal Revenue Specialist

mullene@michigan.gov

517-241-2251