

**WASHINGTON STATE  
ASSOCIATION OF  
COUNTIES**

**INCREASING FEDERAL  
FUNDING FLEXIBILITY**

**A PRESENTATION TO THE  
JOINT TRANSPORTATION  
COMMITTEE OF THE WASHINGTON  
STATE LEGISLATURE**

**NOVEMBER 13, 2018**

**PROBLEM:  
FEDERAL FUNDING COMES  
WITH MANY COSTLY  
STRINGS ATTACHED**

**SOLUTION:  
INCREASE FEDERAL  
FUNDING FLEXIBILITY TO  
ALLOW LOCAL AGENCIES TO  
DELIVER MORE PROJECTS,  
FOR LESS COST, IN LESS TIME  
AND AT GREATER EFFICIENCY**

# What problems are Lead Agencies that Distribute Federal Funding having utilizing federal funds?

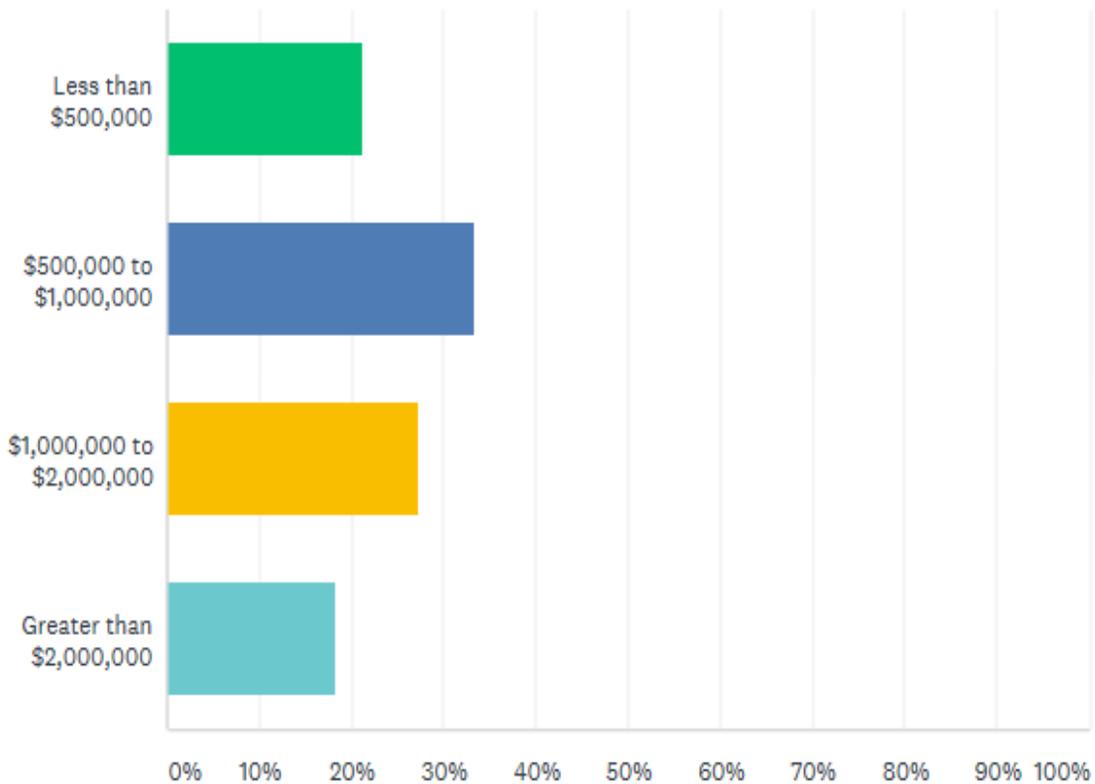
- Most rural lead agencies that distribute federal Surface Transportation Program (STP) funding within a county or region are charged with distributing STP funding amounts of anywhere from less than \$500,000 up to \$2,000,000 each year to the county, one or more cities, the Port and transit transportation agencies within their areas.
- This yearly funding must be distributed proportionally into projects that are located in either urban areas or rural areas regardless of the location of proposed projects that have the highest local priorities.
- WSDOT also requires that each years funding allocation be obligated to projects before the year end to meet yearly obligation FUNDING targets.
- The above listed WSDOT requirements force lead agencies to either award federal funding to projects at sub-optimal funding levels (less than \$250,000 of federal funding) or to award funding to very simple projects like repaving projects that do not reflect the agencies highest priority of need but can be obligated quickly to meet a yearly funding target.
- These artificial requirements either make projects unnecessarily costly by federalizing the project costs or direct money to simple projects that may not address the highest priorities or greatest safety needs of a county or city.
- These findings are borne out by the very recent WSACE survey results that follow this slide.

Q2



# What is your region's average annual Surface Transportation Program (STP) allocation level?

Answered: 33 Skipped: 0



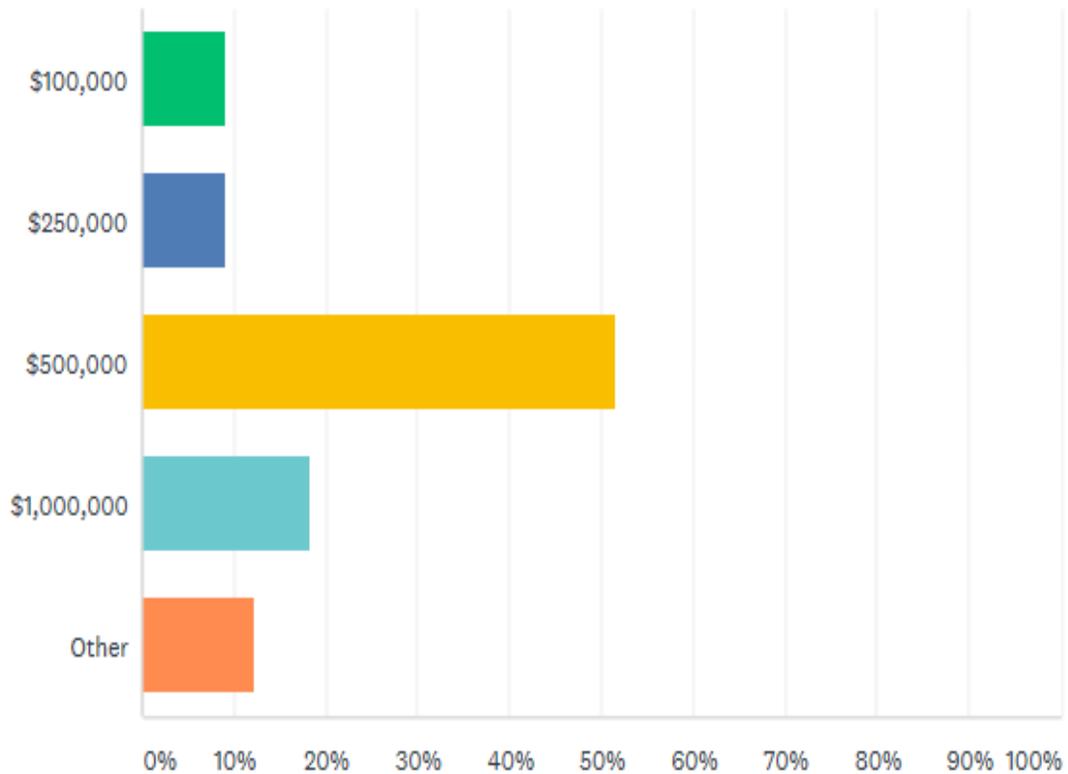
ANSWER CHOICES	RESPONSES
Less than \$500,000	21.21% 7
\$500,000 to \$1,000,000	33.33% 11
\$1,000,000 to \$2,000,000	27.27% 9
Greater than \$2,000,000	18.18% 6
<b>TOTAL</b>	<b>33</b>

Q5



# What is the minimum size of project your region would consider doing with federal funds?

Answered: 33 Skipped: 0



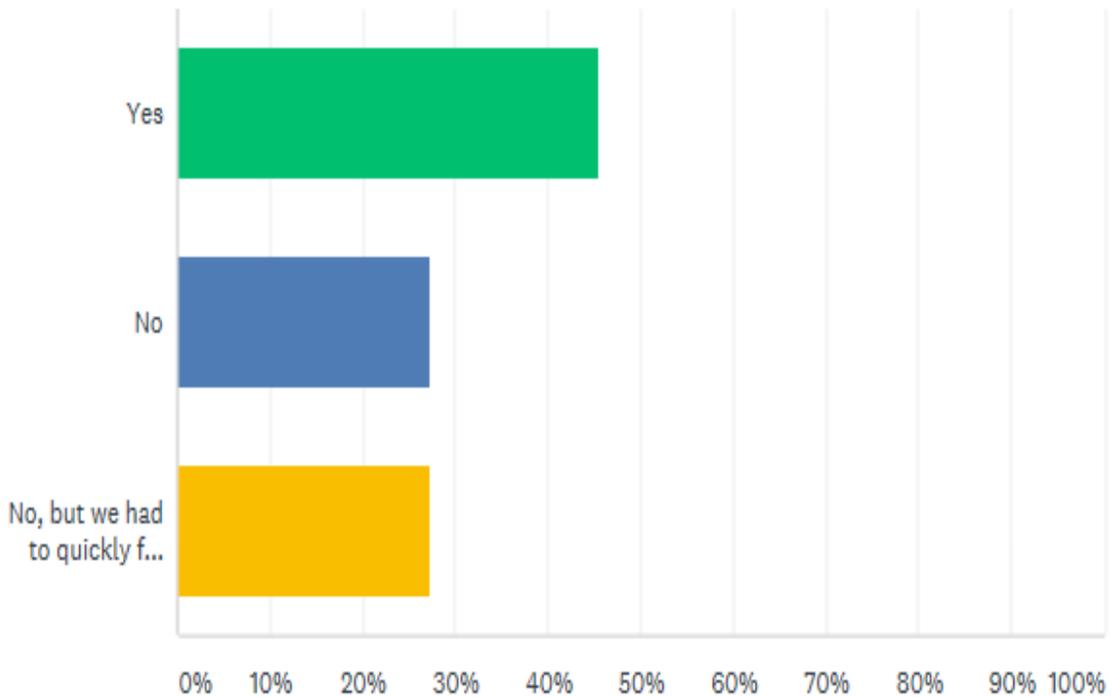
ANSWER CHOICES	RESPONSES	
\$100,000	9.09%	3
\$250,000	9.09%	3
\$500,000	51.52%	17
\$1,000,000	18.18%	6
Other	12.12%	4
<b>TOTAL</b>		<b>33</b>

Q3



# Has your region ever had trouble meeting obligation authority (OA) targets?

Answered: 33 Skipped: 0



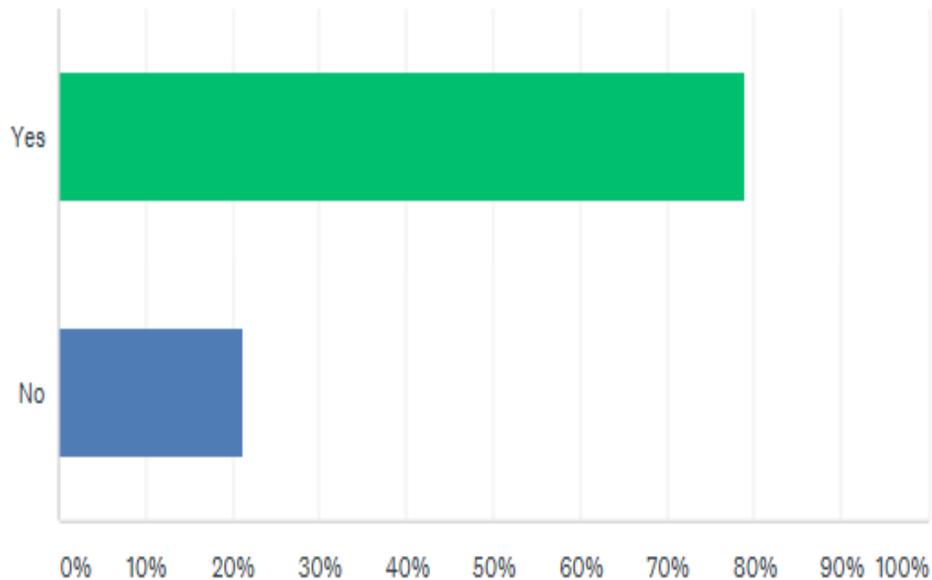
ANSWER CHOICES	RESPONSES
Yes	45.45% 15
No	27.27% 9
No, but we had to quickly find a way to fund an easy project such as an asphalt overlay to avoid the threat of sanctions.	27.27% 9
<b>TOTAL</b>	<b>33</b>

#### Q4



Has your region changed the types of projects it does with federal funds to avoid missing OA target dates and/or to avoid complex federal process? For example, do you fund paving projects instead of projects that require right of way or environmental permits?

Answered: 33 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	78.79%	26
No	21.21%	7
<b>TOTAL</b>		<b>33</b>

## **What problems are local agencies having utilizing federal funds?**

- Getting Local Agency Agreements and Project Prospectus through the WSDOT approval process is often a long and drawn out process that requires engineering staff to make many minor revisions and elected officials to approve multiple slightly revised versions of these documents.
- Federal land acquisitions require costly appraisals, review appraisals, and long WSDOT review timelines for approval.
- The project construction documentation effort required for federal projects is extremely labor intensive and costly, requiring trained engineers to spend hundreds of hours to document each item used in a project.
- Federal construction projects require increased levels of product testing which adds to project costs.
- Federal projects often require federal permits that have very long approval lead times, costly mitigation requirements and narrow project work window timing requirements.
- Federal projects often come with DBE and Training requirements that increase project costs in rural areas where competent DBE services are hard to obtain.
- Post project documentation reviews require many hours of staff preparation.
- Many small rural towns and agencies do not have professional engineers on staff requiring them to hire costly consultants to comply with federal project requirements discouraging them from using federal funds.

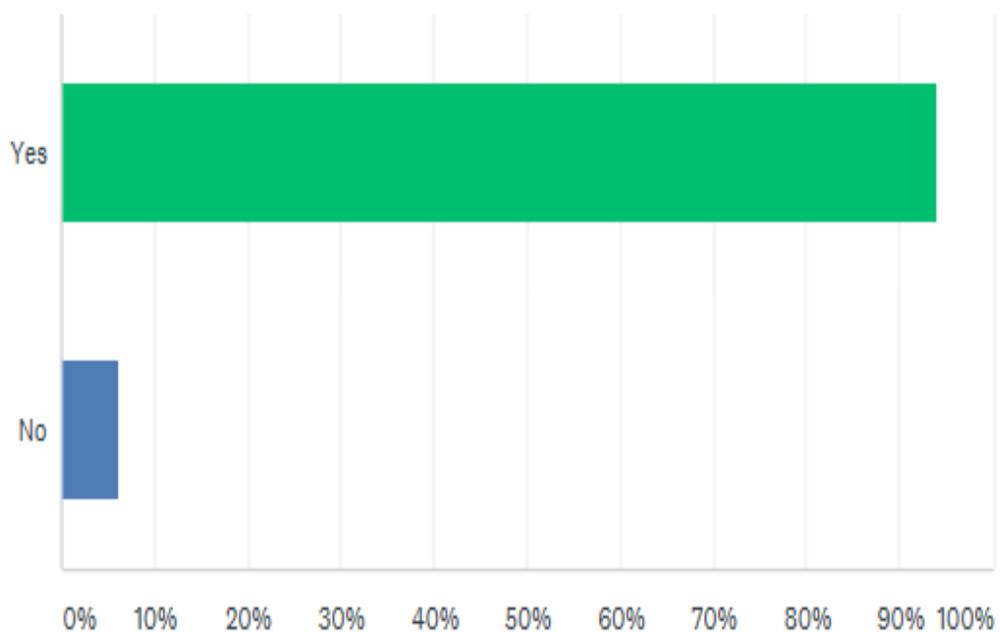
# Two Possible Solutions could solve these problems benefiting both Local Agencies and WSDOT

- The first solution would have the legislature direct WSDOT to facilitate and authorize the transfer of federal funding obligation authority from any local agency in the state to any other local agency in the state.
- This change allows local agencies to purchase obligation authority from another agency to maximize federal funding into larger federally funded and federal funding qualifying projects.
- This change would allow the local agency that sells its obligation authority to do any highway project it desires and to do smaller projects.



Would your agency like to have the funding flexibility to exchange your STP funding obligation authority with another local agency offering unrestricted local road funding in exchange for your obligation authority?

Answered: 33 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	93.94%	31
No	6.06%	2
<b>TOTAL</b>		<b>33</b>

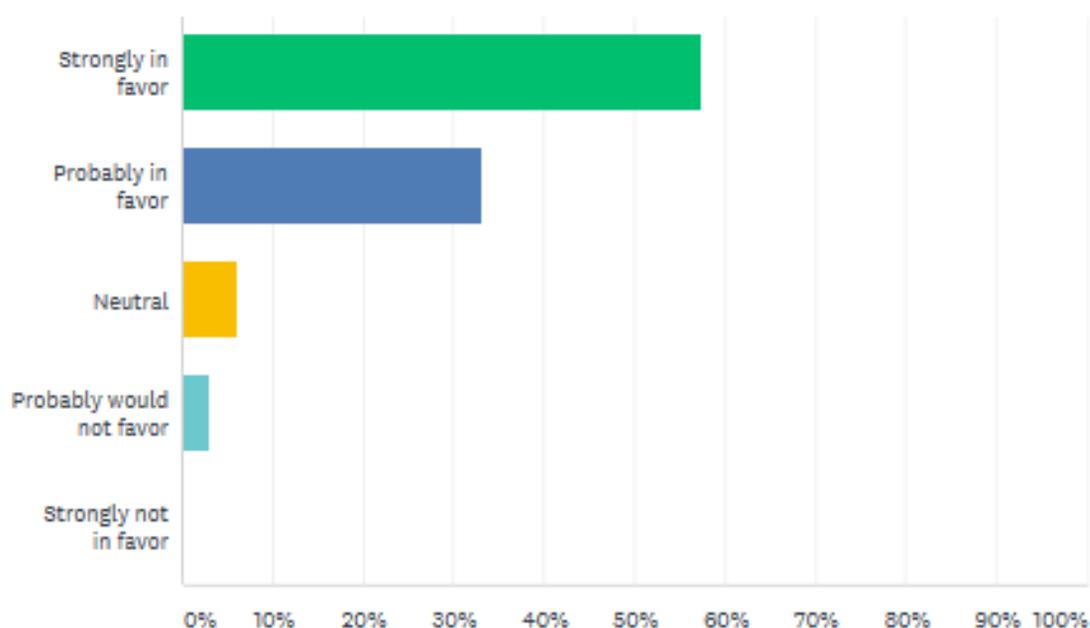
# Two Possible Solutions could solve these problems benefiting both Local Agencies and WSDOT

- The second solution would have the legislature direct WSDOT to create a pilot program that allows local agencies to voluntarily exchange federal Surface Transportation Program (STP) obligation authority (OA) for state funding to free local agencies from cost and time loss involved in meeting federal funding requirements.
- This change allows agencies to utilize the funding they exchange with the state to meet the greatest safety needs within their jurisdictions at less cost and with a quicker project delivery.
- WSDOT would benefit from increased federal funding to complete their projects and with diminished federal funding oversight responsibilities as there would be many less local agency federally funded projects for WSDOT staff to review.



Several states have set up programs that allow local agencies to voluntarily exchange their Surface Transportation Program (STP) Obligation Authority (OA) for state funding to free local agencies from the cost of oversight, documentation and monitoring involved in administering a federally funded project. Would your agency be in favor of such a voluntary program being set up in Washington State?

Answered: 33 Skipped: 0



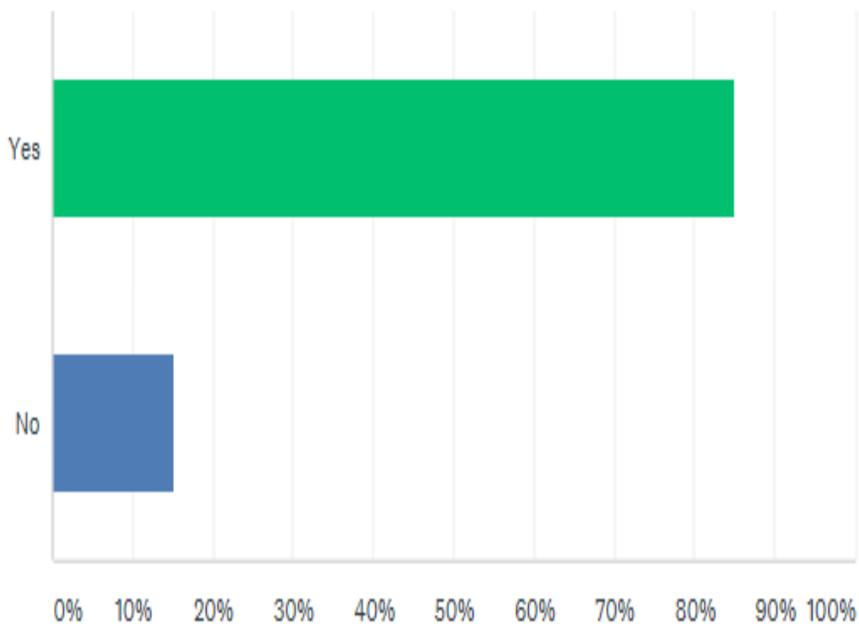
ANSWER CHOICES	RESPONSES	
Strongly in favor	57.58%	19
Probably in favor	33.33%	11
Neutral	6.06%	2
Probably would not favor	3.03%	1
Strongly not in favor	0.00%	0
<b>TOTAL</b>		<b>33</b>

Q9



If a pilot exchange program were available on a trial basis, would your region/agency be interested in participating?

Answered: 33 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	84.85%	28
No	15.15%	5
<b>TOTAL</b>		<b>33</b>

# WHAT WOULD THE PROGRAM COST

- The yearly allocation of STP obligation authority to rural county lead agencies is currently less than \$17,000,000 and the exchange program could be limited to these agencies and this amount.
- With a budget the size of WSDOTs, and the ability to be fully reimbursed by Federal Highways for the funding exchange amount after WSDOT spends the funding on a state project, the cost of the exchange funding program to WSDOT is minimal.

# WHAT WOULD THE PROGRAM COST

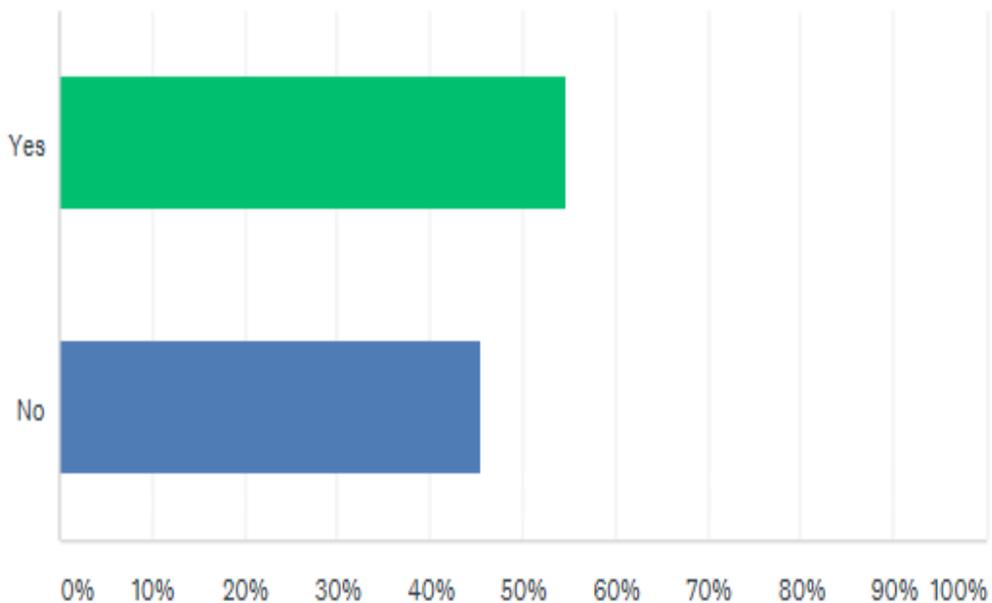
- Should WSDOT consider this level of fund exchange a funding problem, the exchange program could be set up on a reimbursement basis where WSDOT agrees to reimburse an agency with state funding in exchange for the local agency's obligation authority only when a local agency is ready to construct its project. With both a local agency in construction mode and WSDOT in construction with its projects, the delay for federal reimbursement to WSDOT would be minimal and manageable.

Q11



Does your agency have the financial capacity to carry ALL federally eligible costs and delay reimbursement by WSDOT in exchange for your agency's obligation authority (OA)?

Answered: 33 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	54.55%	18
No	45.45%	15
<b>TOTAL</b>		<b>33</b>

# DO OTHER STATES HAVE FLEXIBLE FEDERAL FUNDING EXCHANGE PROGRAMS?

- Several states including Oregon, Colorado, Kansas and Minnesota have federal funding exchange programs.
- We would like to share with you the Oregon Model as a program that bears merit and a program that could be copied by Washington State.
- Such a program established in this state would benefit rural counties and cities in Washington State as well as WSDOT.

# Surface Transportation Program

## Fund Exchange



### Fund Exchange

- Exchange rate: 94 cents per 1 dollar
- Applies to cities over 5,000 residents, all counties, and non-TMA MPOs
- Does not apply to CMAQ, Local Bridge, TAP, or other federal funds

### Federal Policy on Fund Exchange

- Allows for flexible local project funding
- Reserves federal funds for larger projects
- Reduces oversight costs
- More cost-effective for small projects

Source: Government Accountability Office, 2014. Federal Highway Administration could further mitigate locally administered project risks (GAO-14-113).

*The Active Transportation Section strategically integrates program and funding sources to promote multi-modal and sustainable transportation solutions.*

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### Why does Oregon have Fund Exchange?

To provide local agencies a flexible funding option for delivering transportation improvements without being constrained by federal requirements.

### What authorizes Fund Exchange?

The Oregon Department of Transportation has an agreement with the Association of Oregon Counties (AOC) and League of Oregon Cities (LOC) which provides Federal Surface Transportation Program (STP) funds to cities, counties, and non-Transportation Management Area (TMA) Metropolitan Planning Organizations. Fund Exchange provides an opportunity for local cities and counties to exchange their Federal STP dollars for State Highway Fund dollars.

### How does Fund Exchange work?

Local agencies may exchange federal STP funds for state dollars at a rate of 94 cents in state funds for every 1 dollar of federal funds.

### Who can and cannot use Fund Exchange?

All 36 counties receive funds and are eligible. All cities above a population of 5,000 except for those cities in an MPO with populations over 200,000 are eligible. MPOs other than Metro, Salem-Keizer, and Central Lane MPOs are eligible. Certain smaller cities that are part of an MPO may also be eligible (contact ODOT's Active Transportation Section below for more detail).

### Are all federal funds exchangeable?

No. Local agencies can only exchange their federal STP funds allocated from the AOC-LOC Agreement. They are not eligible to exchange other federal funds they may have access to through other processes and programs (CMAQ, Local Bridge, or other programs).

### Where do I go to learn more about Fund Exchange?

ODOT's Active Transportation Section manages the Fund Exchange program. For more information, contact Flower Shobe: [Flower.E.Shobe@odot.state.or.us](mailto:Flower.E.Shobe@odot.state.or.us)

The AOC-LOC Agreement provides more detail and is available on ODOT's local project delivery resources page: <https://www.oregon.gov/ODOT/LocalGov/Pages/index.aspx>

# In Conclusion

- In 2015 a funding exchange study was funded and supported by Legislature. However, it was vetoed by the Governor.
  - Wrong Agency to conduct the study
    - (OFM vs JTC)
  - Not enough study money allocated
- Other States with funding exchange programs identify similar reasoning.
  - Efficiency – In both costs and time
  - Money spent on Local priorities
  - More efficient use of federal funding on a smaller number of larger projects.
  - Would reduce WSDOT oversight burdens by reducing the number of projects
- WSAC and WSACE see these proposals as creating a win-win situation for both local agencies and WSDOT and the local agencies surveyed would like to see these solutions implemented.