

9. COST OVERRUN POLICY UPDATE

**BACKGROUND**

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Historically, the Transportation Policy Council considers cost increases to projects as they are presented. The funding share of the approved cost increases have been a 50/50 share (federal/local match) or 80/20 (federal/local match). The need to establish a policy for handling cost increases to provide clarity to project sponsors, H-GAC staff, and the Transportation Policy Council.

**CURRENT SITUATION**

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In June 2022, H-GAC staff began discussions with the TIP Subcommittee regarding cost overruns brought to the Transportation Policy Council for consideration. Additionally, project sponsors are facing higher costs due to ongoing supply chain issues, higher unit costs, and increased costs due to drainage requirements. In effort to provide some guidance to local project sponsors, staff has identified some parameters for considering cost overruns at an 80/20 funding share as well as the 50/50 funding share.

During the October 2022 Transportation Advisory Committee meeting it was decided to send the cost overrun policy back to the TIP Subcommittee for additional discussion. Earlier this month, the TIP Subcommittee continued discussions to ensure clarity as the policy moves forward. The Discussion centered around a few topics. This included 1) The separation of the policy from implementation guidance; 2) The annual review of projects to accommodate cost increases; 3) Major changes to project development standards that affect many projects; 4) The impact of unforeseen changes to individual projects; and 5) How to handle cost overruns that would be ineligible for federal participation.

Staff will update the Committee on the discussions held at the TIP Subcommittee.

**ACTION REQUESTED**

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This item is for information and discussion.