

10. CARRYOVER SPEND DOWN SUMMARY ANALYSIS

BACKGROUND

The Carryover Spend Down Policy (Item 10-02) was approved by the Transportation Policy Council (TPC) on December 15, 2023. There have been three rounds of programming carryover spend down projects since the Carryover Spend Down Policy was approved.

- In December 2023 (the first round of carryover spend down), TPC programmed approximately \$335M of projects with Surface Transportation Block Grant (STBG) Program, Congestion Mitigation Air Quality (CMAQ) and Carbon Reduction Program (CRP) funds. These projects were programmed with an August 2025 let date.
- In September 2024 (2nd round of carryover spend down), TPC programmed an additional \$65M of projects with STBG Program funds with a let date of August 2025.
- In October 2024 (3rd round of carryover spend down), TPC programmed approximately \$335M of projects with STBG Program funds with a let date of August 2026.

The 4th round of carryover spend down recommended projects, with approximately \$260M of CMAQ funds, is anticipated to gain approval by TPC on December 20, 2024. TPC has requested staff conduct an analysis of how projects programmed throughout this process align with the project selection process category priorities of the policy council. Because the 4th round of projects is expected to gain approval in December 2024, the projects will be included in the category analysis presented at TAC and TPC.

CURRENT SITUATION

TPC approved approximately \$1B of carryover spend down projects since December 2023. Table 10-03 provides a category analysis for: 1) the carryover spend down projects in comparison to the Project Selection Process Funding Instructions and 2) all projects programmed since December 2023 and those that will be programmed with the Project Selection Process including the following:

- All Carryover Spend Down Projects programmed and anticipated to be programmed in December 2024
- Out-of-Cycle (from the Project Selection Process) projects programmed in June 2024 (Current Funding Amounts)
- All Project Selection Process Funding amounts

ACTION REQUESTED

For information only.

Policy for Utilization of Federal Fund Carryover Balances

Background

This policy outlines strategies to effectively manage and utilize carryover balances of federal funds allocated for surface transportation projects in the Houston-Galveston Metropolitan Planning Area (MPA). Federal transportation funds that are not obligated within established time limits are at risk of lapsing. Because projects must advance for obligation on established schedules, this policy is intended to work in conjunction with other MPO activities to assess project readiness and track and support the development of local sponsors' transportation projects.

Policy

The Transportation Policy Council establishes the following policies to manage and utilize carryover balances of funds allocated to the MPO for project selection and programming:

- The Transportation Policy Council seeks to ensure carryover balances for each federal funding source does not exceed 200 percent of the amounts annually apportioned to the MPO for programming.
- The MPO Staff shall identify, evaluate, and advance projects for TPC programming decisions that address the Carryover Balance Management Strategies listed below.
- The MPO Staff shall evaluate current and projected carryover balances, potential projects and their ability to address the implementation strategies, project eligibilities for funding sources, and project readiness to implement this policy.
- Additional strategies to achieve the policy outcome may be identified and proposed by the MPO Staff. These could include innovative finance approaches, funding swaps with other MPOs, or other viable strategies.
- Secondary goals of this policy include the following, and the MPO Staff is instructed to seek opportunities to accomplish these secondary goals of this policy:
 - Expedite project implementation;
 - Manage cost increases due to inflation;
 - Encourage participation in the Regional Strategic Transportation Fund (RSTF) to reduce local match requirements and leverage additional funding sources; and
 - Enhance the region's transportation infrastructure.
- All projects recommended for TPC funding or amendment as part of this policy must advance the goals and objectives of the Regional Transportation Plan and/or meet requirements of the Transportation Improvement Program Project Selection Process.
- The MPO Staff shall develop and implement a strategy for ensuring the carryover balance does not exceed 200 percent of other elements of this policy.

Project Selection Strategies to Manage Carryover Balances (“Carryover Balance Management Strategies”)

The following implementation strategies are presented without any priority order, and they are part of a slate of strategies that can be recommended to the TPC to address the carryover balances.

- **Cost Increases Due to Inflation:** Allocate a portion of the carryover balance to cover cost increases caused by inflation, ensuring projects stay on track and can be obligated on schedule. Only projects that can be obligated within two years may receive carryover balances to address inflation.
- **Projects Ready for Construction in 0-2 Years:** Identify projects that can be ready for construction within the next 0-2 years to accelerate their implementation and maximize the utilization of federal funds.
- **Replace Local Funds on Current Projects with Federal Funds and TDCs:** Enable the replacement of local funds on existing programmed projects for federal funds and Transportation Development Credits (TDCs) to reduce the carryover balance and contribute to the Regional Strategic Transportation Fund.
- **Transit and FTA Transfer Eligible Projects:** Allocate funds from the carryover balances to transit or other FTA transfer eligible projects that can be accelerated and/or obligated quickly by transferring funds to FTA programs to enhance mobility options within the region. Preference will be given to currently-programmed projects; new projects may be considered if they can be obligated within two years.
- **Conversion of Federally Eligible Activities to CMAQ/STBG Funding:** Identify local or State projects that can convert federally eligible activities to Congestion Mitigation and Air Quality (CMAQ) or Surface Transportation Block Grant (STBG) funding, leveraging the carryover balance for improved regional transportation initiatives.
- **Swap Local and Federal Funds for Projects Currently in Development:** Identify and allocate federal funds from the carryover balance to support locally-funded transportation infrastructure projects currently in development by local sponsors that align with regional transportation goals. In exchange for using federal funds, local agencies would contribute 80 percent of the project cost to the Regional Strategic Transportation Fund. (Other swap rates can be negotiated under exceptional circumstances.)

This policy seeks to optimize the utilization of the carryover balance of federal funds for surface transportation projects in the Houston-Galveston region. All funding recommendations to implement this policy are subject to review and approval from the Transportation Policy Council.

COSD Down ONLY*						
	Funding Instructions PSP	Federal ONLY	State	Local	Total	Federal %
Major Projects	30%	\$111,003,600	\$27,750,900	\$0	\$138,754,500	10.48%
High Growth Area Needs	25%	\$90,719,856	\$5,610,099	\$0	\$96,329,955	8.57%
Regional Goods Movement	12%	\$750,000	\$0	\$0	\$750,000	0.07%
Operational Improvements and Congest	13%	\$190,392,303	\$16,287,562	\$400,009	\$207,079,874	17.98%
Resiliency & State of Good Repair	5%	\$211,825,571	\$14,322,345	\$652,000	\$226,799,916	20.00%
Transit	7.50%	\$268,850,034	\$0	\$0	\$268,850,034	25.39%
Active Transportation	7.50%	\$176,438,702	\$0	\$2,406,182	\$178,844,884	16.66%
Safety	\$30M/Year (10 Years)	\$8,903,888	\$496,085	\$0	\$9,399,973	0.84%
Total		\$1,058,883,954	\$64,466,991	\$3,458,191	\$1,126,809,136	100.00%

COSD, RGM, TxDOT Out of Cycle (OOC) and Remaining PSP Amount*						
	Funding Instructions PSP	Federal ONLY	State (Incl. in Next Column)	Local & State Combined**	Total	Federal %
MP	30%	\$543,003,600		\$135,750,900	\$678,754,500	17.96%
HGAN	25%	\$703,894,505		\$171,984,681	\$875,879,186	23.28%
RGM	12%	\$336,836,637		\$83,021,661	\$419,858,298	11.14%
OI & CM	13%	\$326,392,303		\$113,883,268	\$440,275,571	10.79%
Res & SOGR	5%	\$251,825,571		\$22,974,345	\$274,799,916	8.33%
Transit	7.50%	\$306,450,034		\$37,449,779	\$343,899,813	10.13%
Active Trans	7.50%	\$236,438,702		\$17,406,182	\$253,844,884	7.82%
Safety	\$30M/Year (10 Years)	\$308,903,888		\$60,496,085	\$369,399,973	10.21%
Total		\$3,013,745,240		\$642,966,901	\$3,656,712,141	99.66%***
Total Including \$10.4M (Fed) Excess from Transit***		\$3,024,145,240				

*Carryover Spend Down (COSD), Regional Goods Movement (RGM), Out-of-Cycle (OOC), Projects Selection Process (PSP)

** Assumes 20% Match on PSP Projects

*** Under 100% Due to Addit. \$10.4M Fed (from Transit) Avail. Be/c Only 1 Transit for PSP