

## 5D. TxDOT FEDERAL FUND UTILIZATION SWAP PROGRAM

### **BACKGROUND**

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The Texas Department of Transportation has proposed to undertake a behind-the-scenes program that would replace more restrictive MPO-allocated funding sources with more flexible federal funds. The changes would be transparent to MPOs, other than requiring more detailed review of TxDOT's online programming tools. There would be no changes to the amounts allocated to MPOs for project selection and programming.

### **CURRENT SITUATION**

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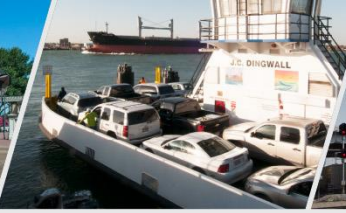
TxDOT requested MPO concurrence with the proposal on January 23, 2024. The H-GAC MPO Director has provided concurrence to the proposal. This action is the equivalent to a funding change of federal sources for existing programmed projects, which is an administrative approval delegated to the MPO Director by the TPC.

This item is presented for information. A copy of TxDOT's presentation on this program is provided with this item.

### **ACTION REQUESTED**

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For Information and Discussion Only.



# Federal Fund Utilization: Categories 5 and 7



# Federal Funding Overview

# Federal Apportionment vs. Obligation Limitation



## Apportionment

- Federal-aid highway funding; annually distributed to programs by a **statutory formula**
- Usually **available for four years** (current FY funds were apportioned + 3 years)
- Subject to **carryover, lapses** and **expirations**

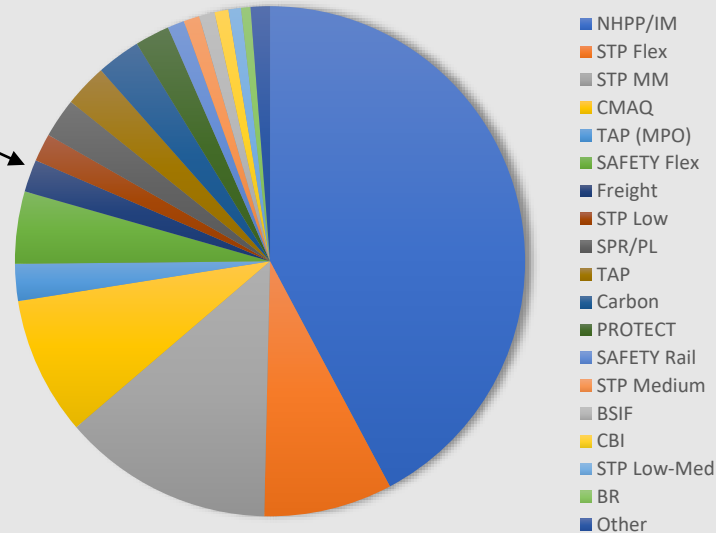
## Obligation Limitation

- **Maximum** amount of federal a state can obligate during a fiscal year, **expires annually**
- **Not** program specific; single amount
- Allows FHWA to be more responsive to budget policies

**FY23 Available Apportionment**  
**\$6.6B**

\$5.2B FY23 Apportionment &  
\$1.4B Carryover

**FY23 Obligation Limit \$4.5B**  
on average ≈90%





## Awarded Projects

- MPO awarded projects are not automatically included in TxDOT's letting schedule.
- Work in coordination with TxDOT District office to get the projects on TxDOT's letting schedule

## Scheduled Projects

All construction projects must be progressing towards being **Ready-to-Let**.

A Ready-to-Let project **must meet all federal and state requirements**, which may include:

- All NEPA and Environmental Clearances/Documentation are secured
- STIP Approval and STIP federal funding fiscal constraint is met
- ROW Clearance (*if required*)
- Utility Agreements in place (*if required*)
- 100% PS&E completed and approved schematics
- Project agreements in place and fully executed, including local funding agreements, Memorandums of Understanding and inter-state agreements
- Railroad coordination is complete and agreements in place (*if required*)

This will ensure projects are included in TxDOT's letting schedule and federal funds are obligated prior to letting.

# FY 2024 MPO Federal Program Balances



Apportionment and Utilization	CMAQ	STP MM
FY24 Apportionment	\$193.9	\$481.4
Prior FY Apportionment Carryover*	\$303.3	\$494.4
<b>Total Apportionment</b>	<b>\$497.2</b>	<b>\$975.8</b>
<b>Less Est. Obligations</b>	<b>(\$22.3)</b>	<b>(\$13.7)</b>
<b>Less Scheduled Projects</b>	<b>(\$182.9)</b>	<b>(\$404.7)</b>
<b>Remaining Appn Balance</b>	<b>\$292.0</b>	<b>\$557.4</b>
<b>Remaining as % of FY24 Appn</b>	<b>151%</b>	<b>116%</b>

\*Prior FY Apportionment Carryover includes FTA transfers

## CMAQ

- Estimated carryover is approximately 1.51 years of apportionment

## STP MM

- Estimated carryover is approximately 1.16 years of apportionment
- FY 24 Apportionment now includes Bryan, Amarillo, McKinney-Frisco & Woodlands-Conroe

Data as of 1/3/2024



# Federal Funding: STP-MM & CMAQ Proposals



- 1) This is not the conversation associated with Chapter 16 Rules
- 2) There is no change in the total amount allocated to MPOs
- 3) There is no difference in eligibility between Federal STP-FLEX and STP-MM
- 4) There are no TIP or STIP amendments needing approval by FHWA
- 5) This is not a new concept and is allowable
- 6) This will take collaboration with TxDOT and MPOs to prevent a national concern

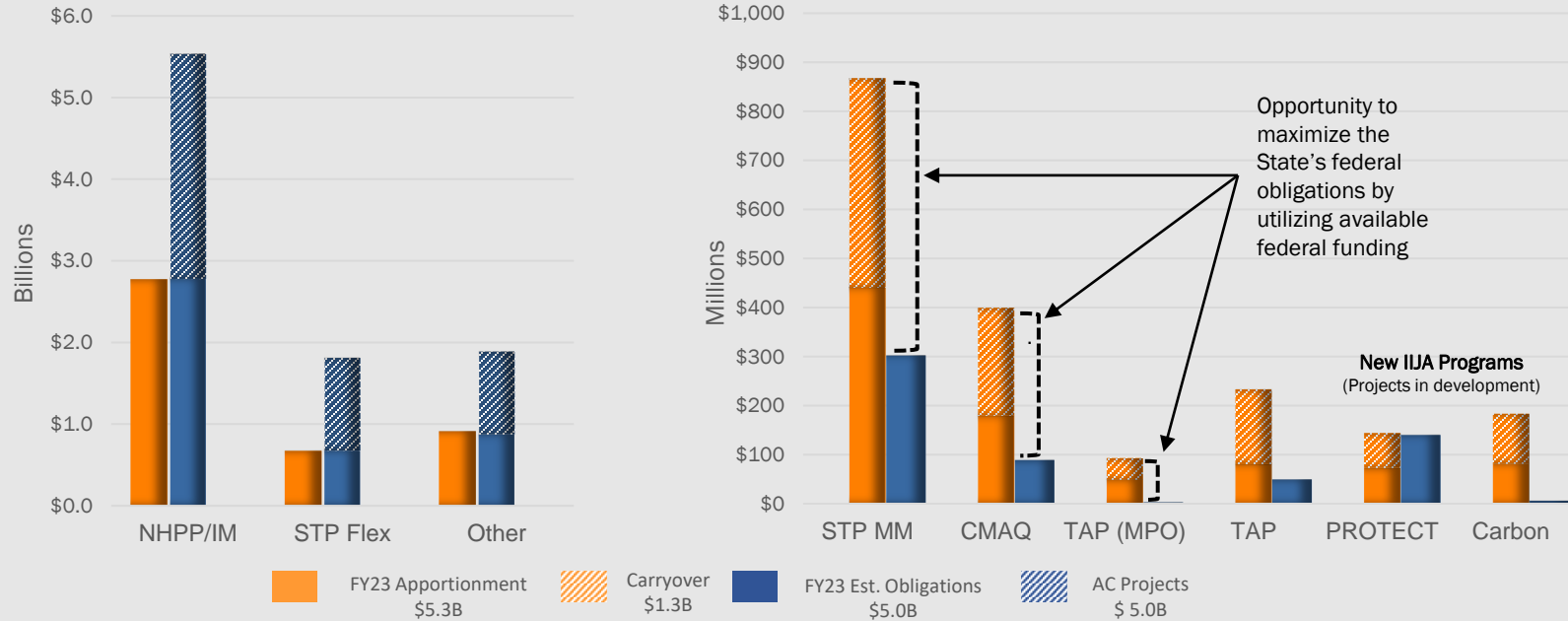


# 2023 August Redistribution (by Federal Program)



August Redistribution enables Texas to request additional Obligation Limitation and obligate more federal funds.

- TxDOT can only leverage federal programs with available apportionment such as STP MM, CMAQ & TAP



In FY 2023, Texas had \$6.6B in available apportionment (including carryover) but could only ask for \$465M of redistribution for a total of \$5.0B in obligation due to underutilized federal programs.



Currently, TxDOT utilizes STP MM funding swaps on Category 2 & Category 7 projects to maximize federal obligations and August Redistribution

**Current Swap Process:**

- Category 2 projects (federal) in the current FY are swapped with STP MM federal funds
- - averages \$125M - \$150M per FY
  
- Category 7 projects (federal) in a future FY are swapped with state STP Flex federal funds to reimburse the MPO
  
- FIN selects, tracks and reports (to MPOs) projects selected for funding swaps and reimbursements.

Category 7 (Allocation)	Program	FY	Amount
Category 7 (federal w/match)	STP MM	2024	601

STP MM (Federal only)	Program	FY	Amount
Category 2 Projects - Swap	STP MM	2024	125
Category 7 Projects - Reimbursement	STP Flex	2026	125
<b>Net Impact to Aug Redistribution</b>			<b>125</b>

# Category 7 (STP MM) Process - Proposed



Funding all Category 7 projects with STP Flex and utilize STP MM on state projects within the MPO boundaries.

**Proposed Swap Process:**

- Category 7 projects would be funded with the state's STP Flex federal funds
- Categories 1, 4, 11, and 12 (district) projects within the MPO boundaries would be funded with STP MM federal funds
- **No change** in amount (fed/state) distributed to the MPO in **Category 7 Allocation**
- MPOs will continue to be responsible for selecting their projects and obligating their full Cat 7 STPMM Allocation (STP-Flex)

<b>Category 7 (Allocation)</b>			
Program	FY	Amount	
Category 7 (federal w/match)	STP Flex	2024	601

<b>STP MM (Federal only)</b>			
Program	FY	Amount	
Category 7 Projects	STP Flex	2024	481
Categories 1, 4, 11, 12 Projects*	STP MM	2024	481
<b>Net Impact to Aug Redistribution</b>			<b>481</b>

\* Projects in the UTP that are within the MPO boundaries

**Benefits**

- Maximum August Redistribution & OA utilization
- Simplified tracking, reporting & annual reconciliation
- No multi-year reimbursements
- Will prevent end of year scrambling to do category swaps

# Category 5 Allocation & CMAQ Federal – Current



Currently, all Category 5 projects are funded with CMAQ federal funding,

Current Transfer Process:

- FIN transfers (out) 50% of the CMAQ federal funds to the state’s STP Flex to increase August Redistribution ↘
- FIN transfers (in) STP Flex to reimburse CMAQ for the prior FY transfer (out) and ensure federal funding aligns with available Category 5 allocation →
- **Minimal** impact to August Redistribution  
*- based on net of transfer (in/out)*

CMAQ Cat 5 (Allocation)	Program	FY24	FY25	FY26
CMAQ (federal w/match)	CMAQ	250	275	300

CMAQ (Federal Only)	Program	FY24	FY25	FY26
CMAQ Apportionment	CMAQ	200	220	240
<b>Transfer Out</b> to STP Flex		(100)	(110)	(120)
<b>Transfer In</b> from STP Flex (payback)		90	100	110
<b>CMAQ Apportionment Available</b>		190	210	230
<b>Net Impact to Aug Redistribution</b>		<b>10</b>	<b>10</b>	<b>10</b>

# Category 5 Allocation & CMAQ Federal – Proposed



Distribute Category 5 in two separate (equal) allocations and federally fund projects with CMAQ & STP Flex

**Proposed Transfer Process:**

- MPOs would receive their full allocation in 2 categories of equal amount - Category 5 CMAQ and Category 5 CMAQ Flex
- Transfers (out) 50% of the CMAQ federal funds to the state’s STP Flex to increase August Redistribution
- CMAQ Flex allocation **eliminates transfer (in)** to CMAQ to reimburse the prior FY transfer (out)
- Maximum** net impact to August Redistribution - based on Transfer Out (only)

CMAQ Cat 5 (Allocation)		Program	FY24	FY25	FY26
Category 5 CMAQ		CMAQ	250	137.5	150
Category 5 CMAQ Flex		STP Flex		137.5	150

CMAQ (Federal Only)		Program	FY24	FY25	FY26
CMAQ Apportionment		CMAQ	200	220	240
Transfer Out to STP Flex			(100)	(110)	(120)
Transfer In from STP Flex (payback)			90	-	-
<b>CMAQ Net Apportionment</b>			100	110	120

<b>Net Impact to Aug Redistribution</b>			<b>10</b>	<b>110</b>	<b>120</b>
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**Benefits**

- MPOs continues to receive full TxDOT Category 5 allocation
- Maximum August Redistribution & OA Utilization
- Significantly reduce risk of funding lapse
- Will allow additional federal eligibility if needed
- Will prevent end of year scrambling to do category swaps



# Appendix



**Obligation:** Federal government's legal commitment to pay or reimburse entities for the Federal share of a project's eligible cost, via submission of Federal Project Authorization and Agreement (FPAA).

**Advance Construction (AC):** FHWA financial tool that allows TxDOT to request federal authorization present day, for future obligation when apportionment or Obligation Limitation is available.

**Lapse:** Most federal-aid funds must be obligated within four years (of being apportioned to the state); any unobligated apportionment will lapse and is no longer available for future projects.

**Allocated Federal Funds:** An administrative distribution of funds for programs that are not distributed to States by statutory formula. (ex. Earmark and Emergency Relief)