

Session #3

Funding Large Projects in Ohio's Small and Medium Sized Metropolitan Planning Organizations

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ABSTRACT

This abstract addresses how the state of Ohio assists the smaller MPO areas in funding larger transportation projects. The amount of funds and corresponding obligation ceiling available to an individual smaller MPO in a particular year make the funding of a large transportation project (>\$1,000,000) virtually impossible.

The intent of this paper is to describe the options the Ohio Department of Transportation and the Ohio MPOs employ in assisting the smaller areas in funding a larger project. These options would be useable by any other Department of Transportation or MPO.

The Ohio Department of Transportation (ODOT) suballocates STP funds to all sixteen MPO areas. The allocation formula for an area with less than 200,000 population is based on a per capita amount derived from the distribution formula in TEA-21 for the over 200,000 MPOs. ODOT also distributes obligation limits based upon the same percentage as the state's ceiling.

In large MPO areas, the amount of funds available allow the agencies to fund a number of project in any given year. However, a smaller area receives an average of \$435,000 each year and can commit roughly \$400,000 to fund projects. ODOT and the MPOs have developed several options to assist these areas in funding larger transportation projects while allowing the Transportation Improvement Program to remain fiscally constrained. These options include State Infrastructure Bank loans, borrowing/using funds and obligation limits allocated to other MPO areas.

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Background

With a 1990 census population of over 10.8 million, Ohio has twenty urbanized areas with a total population of approximately 6.7 million. These urbanized areas are served by sixteen [Metropolitan Planning Organizations](#) (MPOs). Eight of the MPOs have populations of over 200,000 population, and are classified as Transportation Management Areas (TMAs). Of these, three have populations between 1.5 and 2 million and the remainder have populations ranging between 300-700,000. Of the eight smaller MPOs, the largest has a population of 90,000. Five Ohio MPOs are multi-state and four of these are classified as small MPO areas. In accordance with state regulations, Ohio MPO boundaries must incorporate at least one entire county and as applicable, whole townships in surrounding counties. Four of Ohio's MPOs serve one county, with the largest MPO serving seven counties in two states. The number of MPOs, and the varying population ranges pose a formidable challenge for transportation funding distribution within the state.

Distribution of Funds to Ohio MPOs

In 1991, Congress passed the Intermodal Surface Transportation Efficiency Act (ISTEA). The Act created several new transportation funding categories. One new category was the Surface Transportation Program (STP). The distribution formula for the newly designated STP funds specifically allocated these funds to MPOs with populations exceeding 200,000. The new transportation authorization legislation, the Transportation Equity Act for the 21st Century (TEA-21), continues this funding category and the distribution formula. The Ohio Department of Transportation (ODOT) has chosen to allocate STP funds to its eight smaller MPOs, with populations under the ISTEA/TEA-21 threshold of 200,000, as well as, to cities with populations between 5,000 and 49,999. This additional allocation is based on a per capita amount derived from the previous distribution formula.

The federal legislation establishes the fund allocation for each state. Subsequent legislation appropriates the funding amounts by fund type which the state may actually obligate or authorize. This obligation limit or ceiling is the maximum amount for each funding category which a state may use in any one year. This ceiling is usually expressed in terms of a percentage of the allocation.

Beginning in Fiscal Year (FY) 1996, ODOT elected to hold the MPOs to the same obligation limits as had been established for the state as a whole. These obligation limits are based on the federal appropriation level for the State of Ohio for each federal fund type which the MPO receives. For example, if the federal obligation limit for Ohio's federal funds is ninety percent of

allocations, then ODOT holds each MPO to ninety percent of the STP funds allocated to them. In layman's terms, an MPO can only spend ninety percent of their annual allocation in any one year. If MPO-A is allocated \$711,844 in STP funds, it can only actually obligate \$640,660.

STP funds may be carried over for a limited number of years, however, the obligation authority given by Congress is for one year. The obligation authority may not be carried over. The state may take advantage of whatever authority is left over late in the fiscal year to advance other transportation projects.

Small Ohio MPOs

Before reviewing the actual population and funding distributions for the eight small MPOs, it must be understood that the four (small) bi-state MPOs only receive STP funds from Ohio for the actual portion of the urbanized area population which resides in Ohio. Table 1 below shows the Ohio population range for the small Ohio MPOs is 6,840 to 89,943.

Table 1
Ohio Small MPO Funding Distribution

MPO	1990 Population	1998 STP Allocation	1998 CMAQ Allocation	1998 Total Allocation	1998 Obligation Limit
MPO1	33,791	\$346,937		\$346,937	\$302,703
MPO2	68,621	\$704,541		\$704,541	\$614,712
MPO3	76,521	\$785,652		\$785,652	\$685,481
MPO4	54,063	\$555,072	\$489,157	\$1,044,229	\$911,090
MPO5	6,840	\$70,227		\$70,227	\$61,273
MPO6	89,943	\$910,172	\$618,797	\$1,528,969	\$1,334,025
MPO7	38,855	\$398,930		\$398,930	\$348,066
MPO8	25,255	\$259,297		\$259,297	\$226,237

Based on the distribution formula the STP funding per year ranges from \$70,000 to \$900,000. Currently, a medium sized transportation project averages around \$500,000, while a large project is generally over \$1,000,000. Considering the average STP allocation for each small MPO is approximately \$430,000 per fiscal year, this leaves a gap in the total funds needed for transportation projects. Each area sponsors different types of projects based on local needs and priorities. This varies from collector street resurfacing projects, to safety upgrades on the National Highway System (NHS), to regional ozone action programs. Some of these projects may be on state highways inside cities or villages, and by regulation the state is only responsible

for state highways outside of cities. While the MPOs may act as sponsors for transportation projects, they are not project implementors.

Another complicating factor in funding projects for the small MPOs is the lapsing of funds. Under Title 23 of United States Code, federal funds not obligated within four years of allocation, revert to the U.S. Department of Transportation (USDOT). Large MPOs, generally expend a majority of their allocations each year. If some funds are carried over into the next fiscal year, the funds are obligated in that year. However, a small MPO may try to “save” several years worth of allocations for one project, and the four year lapse can pose another difficulty. The lapsing of funds has become less of a difficulty since ODOT began passing down the obligation limitations to the MPOs, since the obligation ceiling may not be carried over.

Funding Small MPO Projects

ODOT has recognized that the smaller MPOs have unique problems which demand creative and flexible funding scenarios. Several alternatives have been employed by the state of Ohio and the MPOs as transportation partners to bring project construction to reality. Some practices have been discontinued and other have evolved over time.

The ability to fund projects varies with the size of the small MPO. MPO5 receives under \$71,000 per year to spend in Ohio, while MPO7 receives over \$900,000. Because of the wide range of available funds, and the high costs of some transportation projects, some MPOs have become creative in how they make use of their available funds.

In the past ODOT allowed the smaller MPOs to advance projects outside of their obligation limits by using some to the state’s obligation authority. This practice was discontinued after several large projects required assistance in the same year. Each MPO had been promised that their project would be allowed to advance using state obligation authority. The state however, did not have control over when those projects would be ready for construction and the projects were not tracked well enough to foresee this difficulty prior to authorization. Innovative funding techniques were needed to avoid these problems in the future. Several examples follow which illustrate these innovative funding practices.

Example 1

Situation: MPO3 had saved a total of \$1,000,000 in [STP](#) allocations (over several years), to fund a large project. However, the total construction funding required by this project was \$5,000,000.

Solution: Under informal agreement with ODOT, the MPO sold the project in two phases (over two years) using the accumulated funds. The balance of the needed funds was loaned to the MPO from the state in order to authorize the entire project. The two phases of the project were sold in

Fiscal Years 1995 and 1996. The MPO is in the process of repaying the state for the advanced funds using subsequent annual STP allocations through FY 2002. In addition, the obligation authority associated with their allocation is made available to ODOT. In this scenario, TIP fiscal constraint must be viewed in the broader statewide context or multi-year MPO context.

Example 2

Situation: MPO2 wanted to fund a project with total costs beyond its annual allocation and obligation ceiling.

Solution: The MPO borrowed funds from Ohio's State Infrastructure Bank (SIB). Ohio's SIB was initialized by the U. S. DOT as the nation's first pilot SIB. Using second generation funds from the SIB, the MPO borrowed the necessary funds through bonds issued by the SIB. The revenue stream (funds which would be available to repay the loan), required to qualify for the SIB loan, was the future STP allocations to MPO2. This option includes initializing costs and interest payments which raise the overall cost of the funds. In this case, local priorities placed on the project justified the additional costs.

Example 3

Situation: MPO6 had already funded several projects early in the fiscal year when the plans for a regionally significant signalization project were ready for construction earlier than expected.

Solution: The ODOT District within which the MPO is located, loaned them the necessary funds and obligation authority to advance the signalization project. The MPO did not have sufficient funds remaining to advance the project and the District had a vested interest in this project because it involved a state highway. In order to expedite this project, the District (informally) loaned the MPO funds from their pavement allocation program. The loan was repaid using the MPO's next annual allocation.

Example 4

Situation: MPO1 did not have a project scheduled within the year which could use the \$300,000 in annual obligation authority, but they did have a larger \$500,000 project in the early stages of development. At the same time, a large MPO was facing having to use most of its remaining Minimum Allocation Funds by year's end to accommodate several projects.

Solution: The two MPOs exchanged obligation authority, giving MPO1 sufficient obligation ceiling to authorize their project later and also allowed the large MPO to accommodate their projects but preserve some of their Minimum Allocation Funds for later use. Minimum Allocation Funds are not subject to the obligation limits.

Example 5

Situation: MPO4 had plans to obligate funds for a project which would use most of a prior year's allocation and were subject to lapse. When allocated funds lapse, the MPO loses the funds entirely and forfeits the corresponding obligation authority. The project was scheduled for sale late in the fiscal year, but the project plans were delayed in begin completed and it appeared that the project would not be ready for sale before the close of the fiscal year.

Solution: The MPO researched options to avoid loss of the funds that were subject to lapse. MPO4

loaned these funds, and the corresponding authority to another large Ohio MPO. The large MPO had several active construction projects with expensive change orders (amounting to approximately \$1 million) but only \$600,000 remaining in obligation authority. The two MPOs drew up an agreement between them outlining the process and schedule of repayment so that when, MPO4's delayed project was ready for sale early in the next fiscal year, the funds would be available to accommodate the project.

Example 6

Situation: MPO6 had not resolved the fiscal constraint issue associated with funding several large projects in the necessary timeframe when developing its Transportation Improvement Program (TIP).

Solution: The MPO applied for and received a SIB loan for the acquisition of right-of-way for one of the major projects in one year (totaling \$2 million). The MPO was promised a second loan (approximately \$8 million) in the following year to be used for the construction of that project and another major project. The revenue stream for these loans is again the MPO's STP allocations for the next eight years. The SIB loan has allowed two critical local projects to advance within the allocation and obligation limits.

CONCLUSION

These are examples of how small Ohio MPOs have developed innovative solutions to funding larger projects within the fiscal constraints of annual allocations and obligation ceilings. At the same time the MPOs retained control over the decision making process.

Each solution incorporated features which may be useful to other MPOs. These options may be combined with each other to create new options. The problems were unique and the solutions were tailored to each individual situation, but these examples have value in being reviewed by others. This paper is prepared with the intent to provide other MPOs with innovative concepts for more effective use of limited federal funds. It is anticipated that additional options will be developed as transportation funding is continually evolving.