

MPO 101: A Guide to Transportation Funding

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"MPO 101" is an ongoing series featured in the Planning Department Newsletter. Please see the previous MPO 101 article for more information on what an MPO is and its responsibilities concerning transportation in Orange County.

"The economic growth of the United States in the 200 years of its existence and the record of individual prosperity achieved by its people in that brief period of time are attributable to the success of the transportation system developed during that period— a system almost totally dependent on the Nation's highways." – Norbert T. Tiemann, Federal Highway Administrator (1976)

A (very) Brief History of Transportation Funding

The transportation system enables the movement of people and goods; therefore, investing in transportation infrastructure is investing in the economy. Not only does building and maintaining infrastructure create jobs, but having a well-planned multi-modal system helps connect people to job opportunities. Today's roadways not only account for automobile access and use, but also public transit, bicycles, pedestrians, freight, delivery services, Transportation Network Companies (TNCs) such as Uber and Lyft, and other emerging technologies that create a diverse and equally important part of the transportation network. The federal government, through the Federal Highway Administration (FHWA), distributes funds related to highways, bridges, the interstate system, and related facilities and programs. The Federal Transit Administration (FTA) directly distributes funds related to all forms of passenger transit through designated recipients. The use of these funds generally requires a local match and requires the adherence to federal rules on how the funds can be used.

While the relationship between the roadway system and the economy are closely tied, the idea of an Interstate system was originally for national defense in time of war, based on two reports to

Congress, Toll Roads and Free Roads (1939) and Interregional Highways (1944). Much of this future Interstate system was later built from 1956-1966, as part of the historic Federal-Aid Highway Act of 1956, signed by President Dwight D. Eisenhower. What was the main difference between legislation supporting the development of roadways and the National Highway System (NHS) before 1956? One word - Funding.

The Federal Aid Highway and Highway Revenue Acts of 1956 authorized an additional \$1 billion for Fiscal Year (FY) 1957, \$1.7 billion for FY 1958, and \$2 billion for FY 1959. The act also created the Highway Trust Fund to ensure the financing of Eisenhower's ambitious plans for the National System of Interstate and Defense Highways. Since the Eisenhower Administration's grand plan to expand and connect the Interstate System as one project, many different administrations have enacted legislation to support the development and maintenance of roadways.

Transportation Funding Today

As our infrastructure ages, the burden to maintain and rebuild vital infrastructure has become a national concern. As previously stated, FHWA distributes federal dollars to the NHS through State DOTs. The use of these funds generally requires a local match and requires the adherence to federal rules on how the funds can be used. Orange County receives federal dollars for the implementation of projects through the OCTC's Transportation Improvement Program (TIP). This five year capital program is updated every two years and the local MPO and State must show fiscal constraint for each federal fiscal year on the TIP. Fiscal Constraint is defined as, "A demonstration of sufficient funds



(Federal, State, local, and private) to implement proposed transportation system improvements, as well as to operate and maintain the entire system, through the comparison of revenues and costs.”

As of 2009, one percent (47,000 miles) of the nation’s approximately 4.1 million miles of public road is part of the Interstate System, and almost ten percent (164,000 miles) are considered part of the NHS. High project costs, a lack of local funding matches, and sometimes loss of momentum due to leadership turnover are all factors that contribute to the need for more funding at the local level. As of now, the Orange County Transportation Council (OCTC) has not had a call for projects in over a decade. While this is in part due to the 2008 recession that halted much of government and private spending, some projects sit on the TIP because of lack of funding.

One project in particular, the construction of a new bridge and intersection alignment over Main Street in the City of Port Jervis, sat on the TIP for 18 years before going to construction this fall. This in part can be due to the process of using federal funding, including the projects approval process by State DOTs, environmental review, and other contingencies. OCTC members, recognizing the importance of the project, shifted nearly \$10 million in funding to support the project and two others that were prepared to go to construction within the fiscal year. This collaboration was a great example of how federal funds are supposed to be used: for the improvement of the public roadway network in Orange County.

Orange County has the lowest obligation rate in New York State, meaning only 6% of obligated funds went to construction within the FFY2017. OCTC members have undertaken efforts to move projects on the TIP, including better coordination with NYSDOT offices and collaborating to see projects that are ready to go to construction show fiscal constraint and have ample funding to move. This reflects

overall federal transportation goals to streamline the process reflected in the most recent legislation. It is the responsibility of both the regional NYSDOT office (Region 8) and local project sponsors to communicate and work towards completing a project with federal funds. As the MPO, we can support these efforts by facilitating the conversation and helping educate interested parties in funding sources available, and when to use funding other than federal dollars.

What Does it Mean to Obligate Funds?

Obligated Funding is the Federal government’s promise to pay a State for the Federal share of a project’s eligible cost. This commitment occurs when FHWA approves the project and executes the project agreement. Obligated funds are considered “used” even though no cash is transferred.

Obligation also is the step in the funding process under contract authority programs where Congress most commonly imposes budgetary controls. When FHWA makes a new apportionment or allocation for an ongoing program, it adds that amount to the program’s unused balance from previous years. Unobligated funding rolls to the next Federal Fiscal Year (FFY), but after a certain time period can expire and is no longer available to be used. As a performance measure, an MPO wants a high obligation rate to show projects are moving and federally distributed funds are being used.

Source: <https://www.fhwa.dot.gov/policy/olsp/fundingfederalaid/04.cfm>

Keeping the Project Rolling

Sometimes alternative funds are the best way to complete smaller projects without engaging in a longer process. Knowing what the project goals are, identifying the strengths and weaknesses of a project, and garnering local support and a strong



champion are all important steps to completing transportation projects.

Examples of Alternative Funding Sources:

- The Consolidated Highway Improvement Program (CHIPS) provides formula-based funds to municipalities to assist in financing construction, reconstruction, or improvement of local highways, bridges, highway-railroad crossings, and/or other local facilities. CHIPs funds are often used for smaller projects such as repaving roadways on the NHS system.
- Local funding for the transportation system includes County, Village, City and Town revenues from various sources, including property taxation, excise taxes, and bonds. Local communities should become familiar with the transportation funding process at the federal, state, and local level and critically evaluate their projects and then decide what the most feasible funding sources may be. Sometimes this means foregoing federal dollars for local spending to shorten timelines and keep costs low. Local funding is best used for projects that are not changing the geometry of the roadway and desire a quick completion timeline using local labor such as a community Department of Public Works (DPW) to lay cement and pave a local roadway.
- Private grants and not-for-profit foundations provide money for a wide range of projects. These funding sources often have specific

requirements for projects that they are willing to fund, and it may be difficult to design projects to meet those requirements. Grant funding is often competitive and can be difficult to secure. Projects that already have a vision and can show commitment from municipal leaders, community members, and other partners often have an advantage in securing competitive funding. A municipal or County Comprehensive Plan, economic development plan, Long Range Transportation Plan, or other such planning document that identifies capital projects that require funding to complete can be very helpful in this process; it often indicates that the local government has conducted studies and evaluated project alternatives to determine the best use of limited resources. Although this process requires investment of time and money on the part of the local community beforehand, it often pays off in the long run.

- The basic approach of public/private partnership is for a public agency to enter into a working agreement with a private business to help fund, build, and/or operate a public facility. Generally, the three primary incentives that a public agency can offer are free land to place a facility (usually a park or other piece of public land), certain tax advantages, and access to the facility. As transportation funding dollars have remained fairly flat, this method of funding public transportation projects may become more commonplace.

Want to contact OCTC?

Interested groups or individuals can join our mailing list, which we use to distribute notices regarding upcoming meetings and products. The public is encouraged to attend our public information meetings and all OCTC products are available either on the OCTC webpage or upon request.

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