



December 20, 2018

TO: Public Works & Environmental Concerns Committee
FROM: Carl Goldsmith, Director of Public Works *CJ*
SUBJECT: Changes to Surface Transportation Program (STP)

This memo is being provided to the Public Works & Environmental Concerns Committee to apprise the Committee of forthcoming changes to the manner in which the Federal government provides opportunities for funding to municipal units of government for roadway improvements/maintenance.

The Surface Transportation Program (STP) provides flexible funding that may be used by States and localities for projects to preserve and improve the conditions and performance on any Federal-aid highway, bridge and tunnel projects on any public road, pedestrian and bicycle infrastructure and transit capital projects. Eligible Projects for STP funding fall into two categories: Highway Projects and Transportation Control Measures (TCMs) Projects. Highway Projects include projects that address pavement conditions and are generally limited to improvements on Federal Aid Urban (FAU) Routes. TCM Projects are defined as transportation projects or programs that seek to alter/adjust trip patterns or otherwise modify vehicle use in ways that reduce air pollutant emissions. TCM projects include bicycle and pedestrian projects, transit oriented projects, modification of signal timing and commuter parking. TCM projects do not need to be on FAU Route. The Village of Lombard has received STP funding for various projects, most recently for the Westmore-Meyers Road Resurfacing & Safety Enhancement Project and the upcoming Main Street Resurfacing Project scheduled for 2020 construction.

For the past forty (40) plus years, Federal funds have been distributed in northeast Illinois using guidelines established by the Chicago Metropolitan Agency for Planning (CMAP). The guidelines have used negotiated percentages and a division of funds by population in the Chicagoland area to distribute STP funding to local municipalities. This has been done through an agreement among the Metropolitan Planning Organization (MPO) Policy Committee, the City of Chicago and the Council of Mayors Executive Committee, which provides that the individual councils of government (COGs) and the City of Chicago are each responsible for programming funds in their areas. This agreement has generally been renegotiated with passage of each new federal transportation bill, and this basic arrangement has been maintained since the 1970s. The funds are distributed through the Illinois Department of Transportation (IDOT) and require projects to be bid and awarded by IDOT.

The current agreement between the City of Chicago and the Council of Mayors calls for:

- 5% for one or more regional projects as selected by the City of Chicago that benefits both the city and the suburbs.

- 45% of the remaining 95% to be programmed by the City of Chicago.
- 55% of the remaining 95% to be programmed by the individual Councils of Mayors, which is then further subdivided by COG population.

As part of the U.S. Department of Transportation's (USDOT) 2014 Chicago, Illinois Transportation Management Area (TMA) Certification Review, federal reviewers found that CMAP should not be using "non-performance" (population) based methods to allocate funds and called for an examination of the practice the next time the agreement between the City and the Council of Mayors came up for reconsideration. In addition, the existing agreement called for a reexamination of its provisions when the Fixing America's Surface Transportation (FAST) Act passed at the end of 2015.

The FAST Act converts the long-standing Surface Transportation Program into the Surface Transportation Block Grant Program (STBG) in order to create greater flexibility among all Federal-aid highway programs and aligning the program's name with how the program has been historically administered by FHWA. The STBG promotes flexibility in State and local transportation decisions and provides flexible funding to best address State and local transportation needs.

With the FHWA requesting the region come up with a "performance based" selection process for STP funding, an STP working group was formed in early 2017 to begin discussing the future of the program. It was composed of representatives from the Council of Mayors Executive Committee, planning liaisons, COG Directors, the Metropolitan Mayors Caucus, and the City of Chicago, Illinois Department of Transportation (IDOT), Federal Highway Administration (FHWA), and CMAP.

From that working group, a draft proposal was presented that contained four elements:

1. New shared funding program
2. Local funding distributed using a needs-based formula
3. Supplemental local project selection criteria based on CMAP's ON TO 2050
4. Enhanced program management

A summary of the components to be included in the new Federal funding system can be found below:

1. SHARED LOCAL FUND

Projects eligible for the STBG Shared Fund make large and lasting contributions to regional transportation priorities. The intent of the Fund is to encourage collaboration between municipalities/Transportation Partners and advance projects that local COGS cannot readily fund on their own. Given these goals, projects must meet one of two eligibility requirements:

- A single application with a total project cost of \$5 million; or
- A joint application from at least 3 local partners, including at least one municipality

The Shared Local Fund would be established using a set-aside of the region's annual allotment of STBG funding. Beginning in FFY 2020, the set-aside would be 10%, increasing to 12.5% in FFY 2021 and to 15% in FFY 2022 and all subsequent years. The fund would also be seeded with excess "unobligated federal funding", also known as *carryover*, to be made available by IDOT for programming and obligation by project sponsors in the region. A total of \$75 million will be made available: \$30 million in FFY 2020, \$25 million in FFY 2021 and \$20 million in FFY 2022. It is envisioned that additional funds would be added to the shared fund annually, keeping the Shared Local Fund at around \$40 million annually.

A Shared Fund Project Selection Committee (SFSPC) composed of representatives has been established and includes representation from:

- The Council of Mayors Executive Committee
- The City of Chicago
- IDOT
- The Counties
- The Regional Transportation Authority (RTA) or a designated service boards representative
- CMAP staff

To preserve the strong municipal participation in decision-making, the Councils and City of Chicago would each have three votes, with other represented agencies each having one vote. CMAP staff would only vote in the event of a tie. The Shared Fund Project Selection Committee would have the authority to review applications and recommend projects to the MPO Policy Committee.

While the former STP Fund has had very broad eligibility criteria in comparison to other funding sources (CMAQ, TAP, HSIP), the STBG shared fund is targeted toward the following priority project types:

- ✓ **Road reconstructions** - Projects that address condition deficiencies on the road network and do not add roadway capacity
- ✓ **Transit station rehabilitation/reconstructions** - Projects that enhance the existing transit system by improving or reconstructing transit stations
- ✓ **Bridge rehabilitation/reconstructions** - Projects that address condition deficiencies on the region's bridges
- ✓ **Highway/rail grade crossing improvements** - Projects that reduce delay at highway/rail crossings, through grade separation or other improvements
- ✓ **Road expansions** - Projects that add capacity to an existing road or involve construction of a new road
- ✓ **Bus speed improvements** - Projects that improve the speed and reliability of bus travel in the region
- ✓ **Corridor-level or small area safety improvements** - Projects that address safety issues
- ✓ **Truck route improvements** - Projects that improve truck movement through a corridor or area

These project types were chosen because of demonstrated demand in the form of unfunded or partially funded local projects, stakeholder input, ON TO 2050 implementation priorities, and an assessment of opportunities to leverage or fill gaps between other available fund sources.

In addition to the regional focus for the shared fund, the call for projects starting in 2019 will focus on specific project types. The future call for projects will have a rolling focus on project type and/or category. This has been problematic to suburban councils of government (COGS) like the DuPage Mayors and Managers Conference, as communities in DMMC may not have projects that fit into the rolling program in any given year. To address these concerns, The SFPSC, in consultation with the councils and CDOT, will conduct an evaluation of the range and type of applications received during the 2019 call for projects, no later than December 31, 2019, to determine if rolling focus will be pursued during future calls. The current schedule for the call for projects is as follows:

	First call (2019)	Second call (2021)	Third call (2023)	Fourth call (2025)
Program years:	2020-2024	2025-2026	2027-2028	2029-2030
Focus areas:	ALL FOCUS AREAS ELIGIBLE	<i>Grade crossing improvements</i>	<i>Road expansion</i>	<i>Truck route improvements</i>
		<i>Road reconstruction</i>	<i>Bridge replacement/reconstruction</i>	<i>Road reconstruction</i>
		<i>Bus speed improvements</i>	<i>Corridor/small area safety improvements</i>	<i>Transit station improvement</i>

The impact of the shift to a more regional approach, which is aligned with the CMAP ON TO 2050 objectives, could mean less funding for local projects such as the Westmore-Meyers Road project or Main Street project.

2. LOCAL PROGRAMS

After the set asides for the Shared Local Fund, the remainder of the region’s annual STBG allotment would be distributed to the eleven regional councils of mayors and the City of Chicago via a performance-based formula. In order to direct funding to where it is most needed, the distribution of funding to the councils and Chicago will be by formula and be based on the relative performance of the local jurisdiction system of roadways, functionally classified as collectors or higher, for five measures:

1. Pavement Condition
2. Bridge Condition
3. Congestion

4. Safety
5. Single Occupant Vehicle (SOV) travel

In order to transition from the current population-based distribution to the performance-based distribution, the FFY 2020 distribution for each council and the City would be no more than 10% above or below its FFY 2017 distribution, and the FFY 2021 distribution would be no more than 20% above or below its FFY 2017 distribution. Additionally, no COG would have an allocation of less than \$3 million in any year.

Adjustments to the annual programming marks for local distribution and the shared local fund to account for changes to the regional allotment would be made by CMAP staff each year and the performance-based share would be re-calibrated to account for changes in conditions every five years, beginning in FFY 2025. The table below provides an overview of the funding anticipated under the changes from the population based funding to the performance based funding models.

Council of Government	FFY 2017 allotment	Illustrative FFY 2020 allotment	Change FFY 2017 to FFY 2020
Central	\$3,138,388	\$3,000,000	-4.4%
Chicago	\$63,871,101	\$57,483,991	-10.0%
DuPage	\$11,271,468	\$11,198,233	-0.6%
Kane/Kendall	\$9,868,205	\$10,026,004	1.6%
Lake	\$8,507,921	\$9,358,713	10.0%
McHenry	\$3,958,003	\$4,114,692	4.0%
North Central	\$3,778,438	\$4,156,282	10.0%
North Shore	\$3,968,555	\$4,365,411	10.0%
Northwest	\$8,687,388	\$7,818,649	-10.0%
South	\$6,327,698	\$5,694,928	-10.0%
Southwest	\$4,592,442	\$4,536,672	-1.2%
Will	\$7,165,240	\$7,669,809	7.0%
	\$135,134,847.00	\$129,423,384.00	

3. PROJECT SELECTION TO SUPPORT THE GOALS OF CMAP'S ON TO 2050

In addition to addressing federal performance measures, the region will develop and implement a long range plan. The development of the region's next plan by CMAP, ON TO 2050, is currently on-going, and will include several priorities that can be influenced by transportation infrastructure investments. To encourage investments that support the goals of ON TO 2050, each individual council and Chicago would incorporate regional priorities into their project selection methodologies by assigning at least 25% of the points to six (6) regional priorities:

1. Green Infrastructure
2. Reinvestment
3. Freight movement
4. Economically disconnected areas
5. Complete streets

6. Transit supportive density

Since not all of these ON TO 2050 priorities will be equally relevant in all COGS and Chicago, each entity would have the flexibility to distribute points to any, or all, of these regional priorities based on local prerogative. The DMMC Transportation Technical Committee has been meeting to discuss the allocation of points. The Village of Lombard staff has been active in these discussions.

4. ENHANCED PROGRAM MANAGEMENT

Pavement Management Systems

CMAP's ON TO 2050 will continue the strong emphasis on maintenance and roadway network preservation. Although more than half of the locally programmed STP funds obligated over the last 10 years went toward road resurfacing and reconstruction, the region cannot provide an overall condition rating for the locally controlled Federal-aid eligible routes. Nor is it clear that the Federal funds were used in the most cost-effective way within each COG by programming the most appropriate treatment given the age and condition of the pavement. Therefore, pavement management systems will be a vital part of the region's plan to determine the optimum strategies for the most cost-effective pavement maintenance.

During the phase-in of new agreement provisions, CMAP will work with the COGs, the City of Chicago, the counties and IDOT to establish local pavement management systems throughout the region. The pavement management systems will be used to determine the appropriate timing for pavement projects and roadway resurfacing projects will not be considered for federal funding unless they are included in a pavement management system. The Village of Lombard recently completed the pavement management evaluation and subsequent development of a Pavement Management Policy, which should be fully compliant with the new requirements.

Active Program Management

Ensuring that Federal funds are obligated in a timely manner will be a priority of the STBG Program. Funds left unobligated are subject to being lost by the region. The use of active program management (APM) practices encourages timely expenditure of Federal funds and safeguards that projects that are ready to go can move forward. To prevent the reservation of funding for projects that are not moving forward an APM system that is uniform and applies to both the shared local fund and local programs will be developed by the Shared Fund Project Selection Committee.

This system would include deadlines for projects to be initiated, deadlines for project phases to be obligated, grace periods for local reprogramming of funds, policies for project and phase eligibility, and policies for re-distribution of unobligated funds to the shared local program. As part of the discussion of these proposed changes, many DuPage communities, including Lombard, have raised concerns over the delays due to IDOT review and approvals. The DMMC

Transportation Technical Committee has requested that IDOT be required to review their internal coordination and approval process as part of the STBG implementation.

Several councils currently use APM strategies, and the region has successfully implemented APM policies for the CMAQ and TAP funded programs. DMMC imposed Active Program Management reporting requirements in 2015 to more closely monitor and manage Federal funds under the council's purview. There will be little impact the communities served by DMMC as a result of this change.

Phase-in of the Plan

Phase-in of the plan would begin immediately upon execution of the new agreement and would continue through the initial calls for projects (2019) for the shared local fund and local programs. In order to establish the Shared Local Fund, while still honoring commitments that COGs have made to project sponsors, the addition of new projects or phases of projects to COG programs would be discontinued until the new initial call for projects.

Council and City project phases would be advanced to federal obligation on a "first ready, first funded" basis until all committed phases are complete, all funds have been exhausted, or a call for local projects is issued for FFY 2021 – 2025. In the absence of an adopted program, the commitment to the City of Chicago would be defined as the annual allotment, including the 5% regional set-aside, which the City was entitled to for FFY 2017.

Next Steps

As the region transitions to the new program established in the agreement between the Council of Mayors and the City of Chicago, there are a number of implementation deadlines to meet:

- The transition started with the establishment of the Shared Fund Project Selection Committee in 2017.
- That committee will continue to develop an Active Program Management system.
- The committee would also develop the shared fund evaluation methodology prior to the first call for projects for the Shared Local Fund.
- CMAP, the COGs, the City of Chicago and the Shared Fund Project Selection Committee would collaborate with each other and appropriate regional partners to collect data necessary for performance-based distribution of funding and the establishment of pavement management systems.
- Finally, CMAP would work with IDOT and FHWA to reconcile accounting of past STP accomplishments to ensure a stable, reliable and predictable source of funding to implement the new agreement.

While no action is required of the Committee, staff wanted to make sure that the Committee was aware of the changes, which may impact the ability for the Village to secure Federal funds for roadway projects. The Village has already begun discussions with several DuPage County municipal and governmental units of government on projects that would be eligible for the

Shared Local Fund. A working group is being formed at DMMC to assist with the review of projects with regional impacts. As projects are vetted by the working group, projects will be evaluated for consideration as part of future CIPs.

Staff would be happy to answer any questions that the Committee may have on this topic.