

CTB Revenue Sharing Program Study Committee Meeting

Minutes

March 14-15, 2017

Meeting called to order at 4:25PM

Commonwealth Transportation Board (CTB) Revenue Sharing Program Study Committee Members Present: F. Dixon Whitworth Jr. - Staunton District CTB member (Committee Chair), Court G. Rosen-At-Large Rural CTB member, John Malbon-Hampton Roads District CTB member, and Mary Hughes Hynes-Northern Virginia District CTB member

Local Assistance Division Staff Support: Julie Brown and Russell Dudley

Chairman F. Dixon Whitworth Jr. opened the meeting and reviewed the agenda.

1. Purpose of the Committee

Mr. Whitworth shared the intent of the Committee, which is to review the CTB's Revenue Sharing Policy, the Revenue Sharing Guidelines, and determine any program changes the Committee wants to recommend to the Board. He stated the purpose of the Revenue Sharing Program needs to be emphasized which includes expediting project completion, addressing immediate transportation needs, and we also want to clarify expectations to localities in the use of this Program's funding.

Mr. Whitworth informed the Committee members and public in attendance that given the later than anticipated start, the meeting may need to adjourn today and reconvene after tomorrow's action meeting (Wednesday, March, 15, 2017). He also announced that the Committee will plan for future meetings and currently is scheduled to meet the afternoon of Monday, April 17, the day before the CTB workshop for additional discussion. The Committee will meet in May if needed to finalize the recommendations and will seek a final vote by the CTB in June or before. The Committee's work will need to be complete with the Policy and Guidelines approved by the July CTB meeting to accommodate the application cycle which begins in early August.

2. Program Overview/History

The Local Assistance Division Administrator, Julie Brown, provided the Committee with a brief overview of the Revenue Sharing Program. The Program is guided by legislation, and then further clarified by the CTB's Revenue Sharing Policy and further guidance and more detail is provided in the Revenue Sharing Program Guidelines. Funding is provided to local governments in accordance with priorities set in the Code of Virginia. Ms. Brown shared the Program's purpose which is taken from the CTB's Revenue Sharing Policy:

“the Revenue Sharing Program is intended to provide funding for immediately needed improvements or to supplement funding for existing projects. Larger new projects may also be considered, provided the locality identifies any additional funding needed to implement the project.”

Ms. Brown provided an overview of the Program evolution, noting that prior to 2006, the Program was limited to only counties, had a statewide allocation of \$15M, and the maximum request per county was \$500,000. The Program began its growth after 2006 when legislation was passed to include cities and urbanized towns as eligible localities to also apply for funding. Legislation also increased the maximum statewide allocation to \$50M annually, and increased the amount each locality could request to \$1M. In 2012 legislation increased the maximum annual allocation to \$200M and the maximum any locality could request to \$10M. Ms. Brown noted that since formula funds for localities for the secondary and urban systems ended in 2009, funding requests increased greatly as this was the primary funding available for localities for projects they selected.

She also mentioned the implementation of the deallocation policy which is important in the impact it had in more effective use of funding toward completion of projects. Ms. Brown then noted that there had been several comments regarding the Program's performance and she had briefed the Board in February on the results of her staff's review of projects that previously received Revenue Sharing funds.

Accordingly, she shared the following information:

- Since 1998, 1,717 of 2,386 (72%), of the projects which have received Revenue Sharing allocations have been completed.
- Of the 669 currently active projects, 206 (31%) are at the Construction phase and have been advertised, awarded, or are under active construction so approx 81% have been completed or at least advanced to the construction stage.
- LAD's analysis indicated most projects that are not yet at the construction stage received their first Revenue Sharing allocation within the last 5 years as further evidenced with the locality specific analysis.

She also noted that smaller projects (estimate less than \$1M) tend to have a higher completion rate and provided the following statistics:

- Since 1998, there are 1,781 Revenue Sharing projects with total estimates of less than \$1M and their completion-to-date rate is 82% with 1456 projects completed.
- Of the 325 currently active projects, 87 (27%) are at the construction phase and have been advertised, awarded, or are already under construction.
- When considering those projects at the construction stage, 87% of those projects with estimates under \$1M are completed or have reached the construction stage.

Ms. Brown noted several issues and factors that have prompted the discussions and options proposed. The Program has come under closer analysis recently because it is over-prescribed, with requests exceeding allocations, current locality funding limits are not reasonable with available statewide funding, new funding options are now available that were not when funding

Revenue Sharing maximum funding limitations increased, and the current prescribed priority of existing Revenue Sharing projects and funds available may disadvantage smaller, immediately needed projects. Ms. Brown confirmed that the options being discussed can be implemented without requiring additional legislation (that was one of the criteria for identifying options). Ms. Brown also informed the Committee that the Revenue Sharing Guidelines would be updated to reflect changes resulting from this Committee's work and CTB approval. Her staff will draft these revisions for review by the Committee.

The Revenue Sharing Program presentation that guided the discussion will be made available on the CTB website for public reference.

After addressing questions on the overview and attachments included in the Committee member's notebooks, Mr. Whitworth asked Ms. Brown to review the five options for modifying the funding allocation process for the Committee to consider:

- Option One: Limit total annual allocations to \$5M per locality
- Option Two: Limit maximum state allocation per project to \$10M
- Option Three: Limit maximum state allocation per project to \$5M
- Option Four: Require any extra local funds previously committed on Revenue Sharing application to be spent before additional Revenue Sharing allocations are provided
- Option Five: Any combination of the above four options; including a sliding scale.

Ms. Brown addressed questions to clarify the options.

Committee Meeting adjourned at 5:20 PM on March 14, 2017 and reconvened at 11:30AM on March 15th

3. Moving Forward

The Committee began discussion of the options that were introduced initially at the December CTB meeting and discussed briefly during the previous day's meeting. Ms. Brown provided the Committee an additional handout based on discussions the prior day. The handout included all application requests, the priority tier the project was in, the total project cost and whether the project scope would have qualified to apply for Smart Scale funding. Ms. Brown confirmed that the two year application cycle had been adopted by the Board and also offered the Board may still need to approve allocations annually based on guidance provided by our Attorney General's Office. Discussion was held about the assumption that the Revenue Sharing Program would be operating under a \$100M a year allocation and that had guided the options.

The impacts, benefits, drawbacks and locality feedback for each option were discussed by the Committee. Ms. Brown pointed out that based on the survey results, there was significantly more opposition to options three and four and addressed a number of questions about the different options. The group decided that option three would be removed from discussion; it was deemed too restrictive. The group also deliberated on whether or not a combination of option one and two would eliminate the need for option four. LAD was asked to research how many times

(application cycles) localities submitted applications, and received funding, for the same project. The findings would be used to determine if limiting the number of application cycles that any one project could receive funding would be considered. Mrs. Mary Hughes Hynes suggested that a percentage-based sliding scale could be used to determine the allocation limit for each locality. The Committee appeared to favor the suggestion. Mr. Court Rosen also stated that he was in favor of limiting funding per project. Mr. Whitworth stated the Committee members should research and review the options separately and be prepared to vote on a preferred option for the allocation process by the next Committee meeting on Monday, April 17 in Charlottesville. He also mentioned it was within the scope of the Committee to suggest to the CTB whether an increase to the statewide Revenue Sharing allocation should be considered.

Mrs. Hynes suggested that the Committee should further define the purpose/goals of the Program. She indicated it seems the goals of the Program should focus on predictability, equitability between both small and large localities, leveraging funds to support other funding programs, and expedition of project delivery. Mr. Whitworth asked Ms. Brown to work with her staff to better define the purpose and goals based on discussions and provide recommendations to the Committee at the next meeting. Mr. Whitworth stated the next meeting will focus on finalizing the recommendations for the allocation process moving forward which seem to be leaning toward a combination of Option 1 and Option 2 and the implications of making funding limitations based on a percentage of the total allocations available, rather than a dollar amount. The Committee will also focus on discussing the transfer options at the April meeting.

4. Public Comment

Mr. Whitworth indicated that the Committee was at a good stopping point and when time is available he will offer the opportunity for public comments and asked if anyone wanted to address the Committee. Noel Dominguez, of Fairfax County, stated that while it is true Smart Scale funding is available, Fairfax County regularly applies for multiple fund sources in order to complete specific projects, so reducing the amount of Revenue Sharing funds a locality can apply for would adversely affect project delivery for some projects in the County. She asked that the Committee take this scenario into consideration when reviewing each option.

The Committee meeting adjourned at 12:30pm.