

## **COMMISSION POLICY REVISIONS**

-- Presented by Brenda Morris, Chief Financial Officer, 573-751-2803, and Eric Schroeter, Assistant Chief Engineer, 573-751-2803.

**ISSUE:** Following preparation of the annual financial forecast, the department determined that policy revisions were necessary to fulfill the budget and funding targets. At the February 3, 2021 Commission meeting when the revised financial forecast was presented to the Commission, the department indicated it would return with recommended policy revisions.

One policy revision will address asset management for minor roads through the continuation of the Asset Management Deficit program. This program sets aside \$10 million in the Statewide Transportation Improvement Program (STIP) to provide additional funding to Districts that have not been able to meet certain asset management plan goals with existing resources.

Another policy revision will change the funding for the cost share program by increasing the share for economic development from ten to twenty percent.

In addition, a new policy has been developed for the Maintenance Asset Management Deficit program. This program addresses routes in poor condition that are maintained by the Department's operating budget. This program has funding of \$15 million for fiscal years 2022 and 2023, and \$12.5 million in 2024. The funding for this program is contingent upon Amendment 3 bond proceeds, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act funds transfer being received.

The modifications are noted in green text for new language, and red strikethrough text for deleted language.

### **RECOMMEND that the Commission:**

- Approve the proposed policy revisions:
  - STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM-Funding Allocation as indicated in Attachment 1.
  - FINANCIAL-Project Funding and Financing Alternatives-Cost Share Program as indicated in Attachment 2.
- Approve the new policy:
  - FINANCIAL-Budget-Operating Budget-Maintenance Asset Management Deficit Program as indicated in Attachment 3.

### **DEPARTMENT VIEW:**

- Commission policies provide guidance and direction for the management of the department.
- Keeping policies current ensures the continued efficient conduct of department business.

### **OTHER VIEWS:**

- The public desires the Commission and department conduct itself in a manner that is open and transparent. Having policies in place and available to the public satisfies that desire.

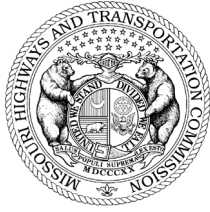
**MHTC POLICY:**

- STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM-Funding Allocation
- FINANCIAL-Project Funding and Financing Alternatives-Cost Share Program

**OTHER PERTINENT INFORMATION:**

- The Commission policies not only provide direction for the department, but also reflect the character of the Commission and the organization.

**SOURCE OF FUNDING:** Not applicable.



## Missouri Highways and Transportation Commission Policies

**Category:** STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM  
**Subcategory:** Funding Allocation

### STIP FUNDING ALLOCATION

*After soliciting significant public involvement into its funding allocation process in 2003, the Commission approved a policy for distribution of funds available for road and bridge improvements. This decision is the financial basis upon which the Five-Year Statewide Transportation Improvement Program is prepared.*

Of the total funds available for road and bridge improvements in the Statewide Transportation Improvement Program (STIP), allocation will be in keeping with the following process:

Step 1: Deduct federally sub-allocated pass-through funds designated for specific purposes, including the following:

- Off-System Bridge Replacement and Rehabilitation Program (BRO) - Maintain replacement and rehabilitation funding for bridges not on the state road system at the fiscal year 2009 (SAFETEA-LU) level of \$21.2 million.
- Large Urban Surface Transportation Program (STP-U) – Large Cities – Maintain funding at approximately \$60 million per year for Kansas City, St. Louis, and Springfield, as mandated in the current federal transportation act.
- Congestion Mitigation and Air Quality (CMAQ) Program - Distribute Missouri’s estimated minimum guarantee of CMAQ funds to St. Louis and Kansas City based upon population. Distribute remaining CMAQ funds to the area(s) not meeting federal air quality requirements. This distribution will use the same demographics included in apportioning the federal CMAQ funds to Missouri.
- Transportation Alternatives Program – Allocate 50 percent of Transportation Alternatives program per year for local programs.
- Recreational Trails Program – This program provides approximately \$1.7 million annually for developing and maintaining motorized and non-motorized recreational trails. This program is administered by the Department of Natural Resources.
- Rail/Highway Crossing – This program provides approximately \$6 million annually for improving the safety of highway/rail crossings.
- Highway Planning & Research – This program provides approximately \$20 million annually for MoDOT planning and research activities and for planning activities performed by Regional Planning Organizations.
- Metropolitan Planning – This program provides approximately \$5 million annually for planning activities performed by Metropolitan Planning Organizations.

Step 2: Deduct funding for non-highway transportation agencies (aviation, railways, transit, and waterways) appropriated by the state legislature for the designated purposes and federal funds. This funding cannot be used for roads and bridges.

- Step 3: Deduct the financing cost for projects accelerated through bond financing, including debt service relative to Amendment 3. Excludes GARVEE bonds.
- Step 4: Beginning in Fiscal Year 2022, deduct engineering budget.
- Step 5: Deduct specific funding sources, such as federal Open Container safety funds, federal Transportation Alternatives (statewide) funds, and other uniquely distributed funds.
- Step 6: In Fiscal Year 2020, deduct \$25 million for cost-sharing projects statewide, increasing to \$30 million in 2021, \$35 million in 2022, \$40 million in 2023, \$45 million in 2024 and annually thereafter.
- Step 7: Deduct funding contributed by partnering agencies. Includes project funding from cities, counties, or other state agencies, and federal earmarked funds.
- Step 8: Deduct project savings and adjustments. Includes project cost savings or overruns, and adjustments for engineering costs.
- Step 9: ~~In Fiscal Years 2020 and 2021, d~~ Deduct \$10 million per year for an Asset Management Deficit Program.

**Of the remaining funds available for road and bridge improvements:**

- Step 1: In Fiscal Years 2020 and 2021, allocate \$35 million for Safety Projects. Distribute \$32 million in fiscal year 2020 based on three-year average crash rate. Distribute \$32 million in fiscal year 2021 based on a three-year average of the number of fatalities and serious injuries on the state highway system. Allocate \$3 million for statewide safety initiatives.

Beginning in Fiscal Year 2022 and every year thereafter, allocate \$29 million for Safety Projects. Distribute \$27 million based on a three-year average of the number of fatalities and serious injuries on the state highway system. Allocate \$2 million for statewide safety initiatives.

- Step 2: Allocate \$435 million to Taking Care of the System, for Fiscal Years 2020 and 2021, divided as follows:  
 \$125 million for Interstates/Major Bridges.  
 \$310 million for remaining Taking Care of System  
 Distribution based on a formula that averages:
- Percent of total Vehicles Miles Traveled (VMT) on the National Highway System and remaining arterials.
  - Percent of square feet of state bridge deck on the total state system.
  - Percent of total lane miles of National Highway System and remaining arterials.

Beginning in fiscal year 2022 and every year thereafter, establish an Asset Management funding category. The category allocation amount is based on needs identified in MoDOT's Asset

Management Plan and will be reviewed and updated, if necessary, annually. These amounts will include inflation consistent with MoDOT's Asset Management Plan. The allocation is distributed as follows:

- Major Bridges (bridges 1000 feet or greater in length)
- Asset Management – Remaining asset management total distributed based on formulas that average:
  - Percent of total Vehicles Miles Traveled (VMT) on the National Highway System and remaining arterials.
  - Percent of square feet of typical state bridge deck (bridges less than 1000 feet in length) on the total state system.
  - Percent of total lane miles of National Highway System and remaining arterials.

Step 3: In Fiscal Years 2020 and 2021, allocate remaining funds to Flexible Funds that can be used for safety, taking care of the system or major project type of work.

Distribution based on the average of:

- Percent of total population.
- Percent of total employment.
- Percent of total VMT on the National Highway System and remaining arterials.

Beginning in Fiscal Year 2022 and every year thereafter, allocate remaining funds to System Improvements. Funds must be first used to meet asset management goals, and then remaining funds may be used for other priorities.

Distribution based on the average of:

- Percent of total population.
- Percent of total employment.
- Percent of total VMT on the National Highway System and remaining arterials.

Effective Date: ~~February 6, 2019~~ **March 3, 2021**  
Supersedes Policy Dated: ~~January 4, 2018~~ **February 6, 2019**  
Last Reaffirmed:  
Date of Origin: January 10, 2003

Related Commission Minutes: January 10, 2003; June 2, 2004; February 7, 2006; February 4, 2011; March 1, 2012; November 7, 2013 – Comprehensive Policy Review; February 3, 2016, July 7, 2016, January 4, 2017, January 4, 2018; February 6, 2019; **March 3, 2021.**

(February 4, 2011- Increased base level funding for cost share from \$30M to \$35M and added a variable amount component with savings generated from debt service associated with refinanced bonds and with redirected internal operating budget cost savings).

(March 1, 2012 – Beginning in Fiscal Year 2013, increased base level funding for cost share from \$35M to \$45M and added a variable amount generated from prior project savings for Fiscal Years 2013 through 2015.)

(February 3, 2016 Beginning in fiscal year 2017, increase funding for the safety category from \$25 million to \$35 million annually, with \$3 million allocated to statewide safety initiatives and the remaining \$32 million distributed to districts. Eliminate the major projects and emerging needs funding category and allow all remaining funds to be distributed in the flexible funding category. Revise the Transportation Alternatives funding from 75 percent allocated for local programs and 25 percent allocated for MoDOT statewide usage, to 50 percent for local programs and 50

percent for MoDOT statewide usage.)

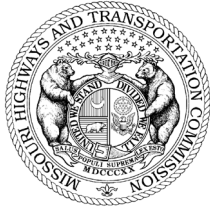
(July 7, 2016 Eliminated the sub-allocation of federal funds for the STP-U and BRM programs. These programs are no longer required by federal law. Technical correction to the Transportation Alternatives Program to better reflect the February 3, 2016 changes.)

(January 4, 2017 Created an Asset Management Deficit Program at \$10 million per year, starting in Fiscal Year 2018. Re-activated the suspended Cost Share Program at \$10 million starting in Fiscal Year 2018, \$15 million in Fiscal Year 2019, and increasing to \$25 million in Fiscal Year 2020 and thereafter.)

(January 4, 2018 Increased Cost Share Program funding to \$30 million in fiscal year 2021, \$35 million in 2022, \$40 million in 2023, \$45 million in 2024 and annually thereafter. Updated distribution method for Safety Projects by distributing \$32 million in fiscal year 2019 and 2020 based on three-year average crash rate and distributing \$32 million in fiscal year 2021 and every year thereafter based on a three-year average of the number of fatalities and serious injuries on the state highway system.)

(February 6, 2019 – creates a deduction for engineering, reduces the safety projects by the amount of engineering that was part of the original allocation construction funding for safety remains the same, changes the term accident to crash, creates the Asset Management Category that will replace the TCOS category in FY 2022, creates the System Improvement Category that will replace the Flexible Funds category in FY2022.)

(March 3, 2021 – removed the sunset on the asset management deficit program.)



## Missouri Highways and Transportation Commission Policies

**Category:** FINANCIAL  
**Subcategory:** Project Funding and Financing Alternatives  
**Sub-Subcategory:** Cost Share Program

### Cost-Share Program

*Since 1926, counties and political subdivisions have been allowed to participate in the cost of improvements on the state highway system in order to advance the projects. On December 9, 1988, the Commission approved its first policy pertaining to business enterprise participation in improvement projects on the state highway system.*

### **Cost Share Committee**

The Cost Share Committee consists of the Deputy Director/Chief Engineer, Chief Financial Officer, Assistant Chief Engineer, and two members selected by the Director.

The Cost Share Committee will select projects under this program; however, the Commission may select projects that demonstrate economic development. ~~The Committee selects projects~~ Projects are selected prior to recommending approval by the Commission via a Statewide Transportation Improvement Program (STIP) amendment.

In addition to the Project Funding and Financing Alternatives policy, Cost Share Program projects must be in compliance with all of the following:

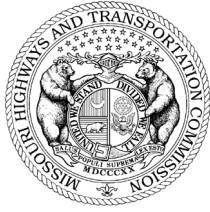
- Project must be on state highway system.
- Local metropolitan planning organization (MPO) or regional planning commission (RPC) must support the project.
- The department District Engineer in which the project is located must review the need and proposed solution before the project can be considered.
- Agreement approved by the Missouri Highways and Transportation Commission (MHTC) and the project sponsor is required for each project. The MHTC agreement identifies project expenses that will be included and each party's responsibility for project costs. These agreed upon expenses are called "participation costs."
- At a minimum, the agreement between MHTC and the project sponsor will include expenses for construction inspection, construction contract, and any construction change orders. Other expenses that may be included are preliminary engineering, right of way acquisition, right of way incidental costs and utility relocations.
- When project sponsors are willing to partner with the department, the department will match their investment up to fifty percent (50%) of the project cost. The department will work in cooperation with the Department of Economic Development ~~with~~ and project sponsors to determine when targeted investments can be made to create jobs and may provide up to one hundred percent (100%) of participation costs. ~~Ten percent (10%)~~ Twenty percent (20%) of the cost share program funds are set aside for projects that demonstrate economic development through job creation.
- Retail development projects do not qualify as economic development projects that create jobs.

- Projects that significantly expand the state highway system or increase maintenance costs for MoDOT must have pre-approval by the **Deputy Director/Chief Engineer** prior to submittal of the application to MoDOT. If a project significantly expands the state highway system or increases maintenance costs the Commission may seek an agreement for the project sponsor to either: (1) accept the transfer of ownership of a portion of the existing state highway system in an amount of miles as determined by the Commission; or (2) payment of all increased maintenance costs.

Effective Date: **March 3, 2021** ~~February 7, 2018~~  
 Supersedes Policy Dated: **February 7, 2018** ~~November 7, 2013~~  
 Last Reaffirmed: February 6, 2019  
 Date of Origin: December 9, 1988

Related Commission Minutes – February 9, 1926; December 9, 1988; October 5, 1990; November 2, 1990; December 6, 1991; August 6, 1993; September 8, 1993; January 12, 1996; October 3, 1997 (2); August 10, 2001; March 10, 2004. November 7, 2013- combined Commission actions pertaining to the various funding and financing options with the Project Funding and Financing Alternatives Policy. January 8, 2014 – suspended cost share program; January 4, 2017 – reinstated cost share program. February 7, 2018 – separated Commission actions pertaining to the various funding and financing options, removed reference to economic development, added two Cost Share committee members selected by Director, modified project requirements. February 6, 2019-reaffirmed. **March 3, 2021 revised policy to set aside twenty percent of cost share funds for projects that demonstrate economic development.**





## Missouri Highways and Transportation Commission Policies

**Category:** FINANCIAL  
**Subcategory:** Budget  
**Sub-Subcategory:** Operating Budget  
**Sub-Sub-Subcategory:** Maintenance Asset Management Deficit Program

### MAINTENANCE DEFICIT PROGRAM

The Commission wishes to address routes in poor condition maintained by the Department's operating budget through the establishment of a Maintenance Asset Management Deficit Program. Within the Operating Budget the Maintenance Asset Management Deficit Program will be \$15 million in Fiscal Years 2022 and 2023, and \$12.5 million in Fiscal Year 2024 as long as funding is available to support this program.

### Executive Committee

For purposes of this policy the term Executive Committee includes the individuals who fill the positions of Director, Deputy Director/Chief Engineer, Assistant Chief Engineer, Chief Safety and Operations Officer, Chief Administrative Officer, and Chief Financial Officer.

### Execution of Documents

Under this policy, the Commission delegates authority for approval of bids and quotes, expenditures of funds and execution of agreements and contracts up to the Maintenance Asset Management Deficit program amounts in the Commission-approved Operating Budget and LIMITED TO the amounts noted below:

- a. **Greater than \$100,000** - All single transactions greater than \$100,000 shall be approved by a member of the Executive Committee.
- b. **\$100,000 or Less** – A member of the Executive Committee, and, subject to their respective areas, the Chief Counsel, Division Heads, and District Engineers, (any one) are authorized to approve single transactions of \$100,000 or less. These staff members may delegate authority to others under their supervision to approve bids and quotes, expend funds and execute agreements and contracts in an amount not to exceed \$100,000 per transaction. Such delegation must be by written advisory from the staff members noted above to the Financial Services Director for the Central Office employees or to the manager responsible for processing district invoices for district employees.

### Annual Reporting

The department will report to the Commission the status of the Maintenance Asset Management Deficit Program annually.

Effective Date: March 3, 2021  
Supersedes Policy Dated:  
Last Reaffirmed:  
Date of Origin: March 3, 2021

Related Commission Minutes: March 3, 2021 – initial policy approved.