

TRANSPORTATION ENHANCEMENT PROGRAM

Progress Report for FY 2004

This report provides a summary and evaluation of Oregon's Transportation Enhancement program for federal fiscal year 2004 (October 2003 through September 2004). It discusses project selection, policy changes, expenditure of funds, and progress in delivering projects.

ACRONYMS USED

FHWA	=	Federal Highway Administration
FY	=	Fiscal Year (federal)
MPO	=	Metropolitan Planning Organization
ODOT	=	Oregon Department of Transportation
OTC	=	Oregon Transportation Commission
STIP	=	Statewide Transportation Improvement Program
TE	=	Transportation Enhancement
TEA-21	=	Transportation Equity Act for the 21 st Century

PROGRAM STRUCTURE AND FUNDING

The TE program in Oregon is administered by the Oregon Department of Transportation. It is managed by the TE Program Manager within ODOT's Local Government Section in the Salem central office. There are ten project leaders (Local Agency Liaisons) and six construction liaisons in the five regional offices, to oversee delivery of the local agency program including TE projects. The TE Advisory Committee provides input to project selection and program policy. The committee has eleven members: four local government officials, four ODOT staff, two public at-large members, and one OTC member who serves as chair.

The funding for TE projects comes from the state's federal transportation allocation. Each state must reserve ten percent of its Surface Transportation Program funds for TE activities. In fiscal year (FY) 2004 the TE reserve for Oregon was about \$9 million. However, only \$3 million was available because the Transportation Commission restricted TE spending to leave more funds available for pavement and bridge preservation. Due to the limited funding, ODOT manages TE as a statewide program without sub-allocation or guaranteed funding for individual regions or Metropolitan Planning Organizations (MPOs).

Oregon's TE program also includes \$2 million per year for the "TE Discretionary Account" starting in FY 2006. This allows ODOT to apply TE funds to projects separately from the competitive selection process. Projects funded this way must be confirmed by the OTC and must meet the same criteria and priorities in effect for the competitive selection process.

ACTIVITY IN FISCAL YEAR 2004

Efforts in the first half of the fiscal year (October through March) focused on programming tasks for the 13 new projects approved in 2003. In the second half of the year, the main activity was preparing the next “call for projects” and then assisting applicants and reviewing applications.

Policy and Procedures Update

Preparing a call for projects required updating the “TE Program Policy and Procedures” and the TE Focus Areas that the OTC adopts for the program. In March 2004 the TE Program Manager prepared these updates with assistance from the TE Advisory Committee. Copies were distributed statewide to each Area Commission on Transportation (ACT), Economic Revitalization Team (ERT) and MPO with a request for comments. After the comments were addressed the TE committee adopted the policy/procedure update in May. Included were new provisions for a two-step application process, a public comment period, and earlier input from ACTs and MPOs.

In November 2003 The OTC approved a policy on the use of TE Discretionary Account funds. In February 2004 they approved a revision of the TE Focus Areas for use in selecting new projects for FY 2006-2009. To support the governor’s economic revitalization plan the new focus areas include a preference for projects that support tourism or economic development.

Project Selection

A major emphasis in FY 2004 was soliciting and screening new projects for the 2007-2008 funding cycle. In May a letter announcing the application period was sent to more than 800 agencies and interested parties. Many others were notified via news release and email. Application materials were available through the TE Program web site or by email.

A two-step application process was used for the first time. A Notice of Intent (NOI) was due in July. Complete applications were due September 10, 2004. ODOT received 127 NOIs and replied to each prospective applicant, either clearing them to proceed with an application or advising them to address certain issues before applying. Twenty NOIs were received from agencies in the Portland MPO area. However, the Portland MPO area is allowed a maximum of seven applications and two alternates. The MPO conducted a screening process in early September to decide which applicants would apply. In the other MPO areas, the requests were within the allowed limit, so no applications were screened out before the September due date.

There were 80 applications in all, including one that arrived ten days after the due date. Eleven were disqualified for failure to meet the application requirements. Three more were removed during preliminary technical review by ODOT staff. This left 66 proposals advancing to the public comment phase. About 30 applications with strong technical ratings and local support advance to the TE Advisory Committee for evaluation. The available funding is enough for about 10 to 15 projects.

Critique of the Process:

After critiquing the 2003 selection process the TE Advisory Committee decided to revise the method of engaging the ACTs, ERTs and MPOs. This year's process allows these groups to comment on the policy/procedures update, as well as providing input during the public comment phase of the project selection process.

The NOI process required the TE Program Manager to spend many hours reviewing and responding to each proposal. The result was a higher level of quality and completeness in the applications. Several applicants realized their project was not ready to advance and did not invest time in preparing a full application that would not be competitive. A negative aspect of this year's process was the timing of deadlines. The application due date was too soon after receiving the NOI response, and too close to the deadline for state Pedestrian and Bicycle grant applications. The intent was to synchronize with the STIP public comment period, but the process should be evaluated next time to better serve all participants.

Objections and Appeals: There was one request to appeal the TE Program Manager's decision to disqualify an application. The TE Advisory Committee served as the appeal panel and considered explanations from the TE Program Manager and the applicant. The appeal was denied on a vote of 8-0 with one member abstaining and two positions vacant.

Several members of the Portland Metro area "Joint Policy Advisory Committee on Transportation" voiced objection to the short time allowed for Metro to pre-screen TE proposals (to meet the limit on applications from the Portland MPO). Other MPOs did not have difficulty meeting the schedule but Metro wanted to involve several levels of review, and opportunities for public input during the process.

TE Advisory Committee

The TE Advisory Committee met in March 2004 to discuss the program criteria and project selection process. They reviewed the policies adopted for the FY 2004 to 2007 STIP cycle and made revisions for the FY 2006-2009 cycle. After receiving comments from ACTs and MPOs they adopted a new policy and procedures document in May. They also provided input to the application packet that was released in May 2004. In September they reconfirmed the criteria for disqualifying applications. They considered one case where an agency appealed the decision to disqualify its application. The committee voted to uphold the original ODOT decision to disqualify it.

Coordination to Advance Projects

Seven TE contracts were awarded in FY 2004. One of the projects was completed within the fiscal year and four more were completed by the end of December. Within ODOT, the Local Agency Liaisons in each region had a major part in advancing these projects to contract. They were in frequent contact with project sponsors and their consultants throughout the project development process. They provided guidance on consultant selection, scope of work, budget and funding decisions, and they reviewed preliminary and final plans and contract documents.

The TE Program Manager assisted with 20 projects, usually to advise the Local Liaisons on issues of scope, funding and schedule changes. She reviewed the Intergovernmental Agree-

ment or project plans for several projects, and worked with Local Liaisons to spur progress or decisions on projects and determine allowable versus ineligible costs. On some projects she was involved in funding decisions for projects going to contract.

Tracking Project Delivery and the Balance of Funds

There were 38 active TE projects in FY 2004 (see Appendix 1 for the status of each project). The Local Agency Liaisons monitored progress and expenditures on their assigned projects. The TE Program Manager tracked progress and expenditures statewide and monitored TE funding commitments shown in the STIP and Financial Plan. She worked throughout the year with the STIP Manager, Financial Plan Manager and others in ODOT Highway Finance to confirm amounts obligated¹ and spent, and the balance available.

A portion of the TE program is managed by Metro, the MPO for the Portland metropolitan area. In August 2003 the TE Program Manager and Region 1 staff determined that Metro had more than \$3 million in uncommitted TE funds. They convinced Metro to commit the funds to three projects that were previously part of the TE program. This action allowed Metro to redistribute \$3 million in other funds assigned to these projects. The balance of uncommitted Metro TE funds is now less than \$200,000.

Outreach and Assistance

During the application period (May – September) ODOT staff presented an applicant workshop in Tillamook and provided individual assistance to several agencies. They also made presentations at “Area Commission on Transportation” or “Economic Revitalization Team” meetings in Salem, Eugene, Klamath Falls, Portland and Ontario to inform members about the schedule and process for selecting projects. The TE Program Manager responded to 85 phone calls and numerous email inquiries during the “Notice of Intent” period, and at least 100 more calls (plus emails) from people working on an application.

Throughout the year the TE Program Manager exchanged information with other ODOT program managers and other state agencies and answered questions from many communities and organizations. Within ODOT there was frequent contact with the Pedestrian and Bicycle Program, including attendance at meetings of the Oregon Bicycle and Pedestrian Advisory Committee and the Local Bicycle/Pedestrian Coordinators.

The TE program serves many of the same “customers” as the Forest Highways and Scenic Byways programs within ODOT and the Recreation Trails program in the Oregon Parks and Recreation Department. The TE Program Manager referred inquiries to these other programs as needed. Other outreach activities included meeting with the *Active Community Environments* group, which coordinates efforts to promote physical activity by providing better opportunities for walking and bicycling. The TE Program Manager also served as a resource delegate to the annual *Resource Assistance for Rural Environments* (RARE) conference in Salem.

¹ A formal commitment of funds, after approval of the project prospectus and Intergovernmental Agreement.

TE Manual: The Transportation Enhancement Program Manual is about 80 percent complete. There was not much progress on it this year due to the time required for the application and project selection process. When complete, the manual will be a web-based publication with direct links to pertinent sections of the Local Agency Guidelines and other reference documents. The intended audience includes ODOT staff, TE project sponsors, and those interested in applying for funds.

PROJECT DELIVERY

Projects Completed

Eight TE projects were completed in FY 2004—see Table 1. This is consistent with the average of 7 to 8 projects completed per year over the past four years. Six additional projects were under contract but not yet complete at the close of FY 2004 (September 30). Four of those were completed in November or December. See Appendix 1 for project names.

The sidewalk/bike lane project awarded to City of Vernonia for FY 2005 was transferred out of the TE program and will be completed instead with state Pedestrian and Bicycle grant funds. The TE Program Manager coordinated this exchange of TE and grant funds between projects in Vernonia, Condon and Springfield to simplify funding and documentation on all three projects.

TABLE 1
Projects Completed in FY 2004

<i>Region</i>	<i>Project</i>	<i>Applicant</i>
1	I-205 MULTI-USE PATH: POWELL BLVD CROSSING	ODOT Region 1
1	CAPITOL HWY @ BERTHA-BEAVERTON- HILLSDALE HWY (Sidewalk and Landscaping)	City of Portland
2	SANTIAM TRAVEL STATION (Lebanon Depot Restoration, Phase 2)	City of Lebanon
3	BARNETT RD. - S. STAGE RD. (Bear Creek Greenway Trail)	Jackson County Parks & Rec
4	MADRAS SIDEWALK PROJECT	City of Madras
4	DRY CANYON TRAIL (REDMOND)	City of Redmond
5	BOARDMAN SECTION: MAIN STREET ENHANCEMENT	City of Boardman
5	VALE SECTION: MAIN STREET ENHANCEMENT	City of Vale and ODOT Region 5

Performance Measures

There are two performance measures in place for the TE program. One addresses the obligation success rate and the other tracks on-time delivery of projects. Table 2 shows the results for FY 2004. At 67 percent, the obligation rate in dollars showed a strong increase, but the percent of project phases obligated was just slightly above that for FY 2002 and 2003. This difference is due to one large project that went to contract in Region 1. On-time delivery for FY 2004 was 62 percent—seven percent higher than in the last two years and much higher than in FY 2000 and 2001. Most of the FY 2004 projects were selected in 1999 and have been in development since then. The higher obligation rate this year is mainly due to the extra year or two of preparation time these projects had, compared to other projects selected in 1999.

Five of the eight projects scheduled for contract in FY 2004 were delivered on time¹ and three were not ready as of December 2004. However, one project scheduled for FY 2005 was ready early and went to contract in FY 2004. The construction program for FY 2004 also included eight projects carried over from prior years. One of these went to contract in January 2004 (four months late) and three went to contract later in 2004, more than 12 months late. Four of the eight were still not ready at the end of FY 2004 and are now two years late.

The ODOT regions varied in their success at delivering TE projects. Table 3 shows this year's results, first by percentage of dollars obligated and then by project phases obligated. Four of the five regions achieved good or very good rates. Region 2 lagged behind due to four projects that have been repeatedly delayed. Regions 1 and 2 have both added Local Programs staff in the past two years and this has helped advance more projects. The 77% obligation rate in Region 1 is a notable improvement over the 33% average for the last four years.

Factors Affecting Performance

A common cause of delay is the need to rework the project scope to fit available funding. This was a factor in four of the seven projects delayed from FY 2004 to 2005. Two others involved local agencies not actively advancing their projects. By contrast, on-time delivery often involves a need to coordinate with other parties. This was the case in two of the five projects on time for contract in FY 2004. One was a segment of multi-use path incorporated into a large state highway project. The other was a trail corridor acquisition where there was strong pressure to complete the transaction with a willing seller.

Efforts to speed up the “preliminary engineering” obligation did not work as planned. The eleven agencies awarded new projects for FY 2004-2007 were given a September 2003 deadline for their Prospectus and Intergovernmental Agreement. But ODOT Region offices had several bond-funded “OTIA” projects to process during that same time. Most of the TE projects did not receive ODOT assistance until after September. By March 2004, halfway through the fiscal year, only three of the eleven projects were approved to proceed with PE. This six-month delay in PE authorization is a topic for improvement in the next funding cycle because it ultimately affects whether projects can be delivered for contract on time.

¹ in the target month or within the following 90 days

TABLE 2
Performance Measures for the Transportation Enhancement Program

1. Obligation Success Rate

Definition	Percentage actual vs. planned obligation, tracked in dollars and number of project phases (PE, ROW, CN) based on the federal fiscal year, October 1 through September 30. “Planned obligation” for each year includes delayed projects that have been reassigned from prior years.									
Goal or Standard	None specific to TE program. FHWA goal is 75% obligation, cumulative since inception of TE.									
Recent Data	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">FY'04</td> <td style="width: 20%;">67% of dollars</td> <td style="width: 20%;">55% of project phases</td> </tr> <tr> <td>FY'02 and '03</td> <td>52% of dollars</td> <td>53% of project phases</td> </tr> <tr> <td>FY'00 and '01</td> <td>35 % of dollars</td> <td>37% of project phases</td> </tr> </table>	FY'04	67% of dollars	55% of project phases	FY'02 and '03	52% of dollars	53% of project phases	FY'00 and '01	35 % of dollars	37% of project phases
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2. On-Time Delivery

Definition	Percentage of projects on time for scheduled “let date” (contract awarded in the target month or within the following three months). If no TE funds are assigned to construction, consider the obligation date for the last phase with TE funds. Based on original FY'04 program—not projects delayed from prior years.									
Goal or Standard	None specific to the TE program. ODOT Project Delivery tracks state-funded projects based on delivery in the assigned quarter or within 90 days.									
Recent Data	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">FY'04</td> <td style="width: 20%;">62%</td> <td style="width: 20%;">(5 out of 8)</td> </tr> <tr> <td>FY'02 and '03</td> <td>55%</td> <td></td> </tr> <tr> <td>FY'01 and '02</td> <td>24 %</td> <td></td> </tr> </table>	FY'04	62%	(5 out of 8)	FY'02 and '03	55%		FY'01 and '02	24 %	
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Summary of Funds Obligated

TE funds cannot be released for payment until authorization by the Federal Highway Administration based on completion of specific tasks for each phase of work. Authorization allows the “obligation of funds” to a specific project or phase of a project. Obligation allows ODOT to collect funds from FHWA to reimburse a project sponsor for qualified expenditures.

One way to gauge progress in the TE program is to track how many projects or project phases get authorized, and the total dollars obligated. Table 3 shows the actual versus intended obligation of funds for each region and for the total program.

In FY 2004 the total intended obligation was **\$10,854,000¹**. About half of this was for work delayed from FY 2003 or before. The amount obligated was **\$7,305,000** or 67 percent of the intended amount. This is substantially higher than in past years, though it must be noted that a single project in Region 1 represents over \$3 million in the \$7.3 million total. Even without that large project, the obligation rate would still be around 60 percent which is higher than the 53% achieved in both the two prior years.

The second part of Table 3 shows how many phases of work were obligated. In this analysis, each phase of a project—preliminary engineering (PE), right-of-way (RW) and construction (CN)—counts as one unit. Since one large project can greatly influence the data on dollars obligated, this gives small projects the same credit as larger ones. For FY 2004, the outcome for phases obligated was 53 percent which is the same as in 2002 and 2003.

Table 3 also shows actual amounts obligated in comparison to each region’s share of the intended (programmed) work for the year. This shows that Region 2 ended up below its share while the other regions were at or above their intended share. In Region 2, four projects originally slated for FY 2002 and 2003 continued to experience delays. This accounts for nearly \$2 million in delayed funding.

Of the 11 new projects added for FY 2004-2006, five were successful in getting PE or other funds obligated as planned in FY 2004, three obtained obligation just a month late in October 2004, and two began PE in 2004 using local or state forces. It was hoped that obligation would occur earlier but this is a good start towards having these projects ready for contract on time.

Cumulative Data on TE Spending

The national statistics on TE spending are not very reliable because the process for obligating funds differs from state to state. Unfortunately, these statistics often arise in discussions of TE funding. The number most often cited is the cumulative obligation rate, which is lower (nationally) than rates for the last few years. When this issue comes up, it is important to emphasize the benefits of TE projects and the improved project delivery in recent years.

¹ For easier reading, all values in this section are shown only to the nearest thousand dollars.

TABLE 3

FY 2004 Summary of TE Funds Obligated

PART 1: DOLLARS OBLIGATED

	R 1	R 2	R 3	R 4	R 5	All
Obligated	\$5,271,611	\$989,787	\$210,669	\$363,361	\$469,206	\$7,304,634
Intended (programmed)	\$6,808,298	\$2,997,542	\$138,000	\$511,094	\$399,657	\$10,854,591
% Dollars Obligated	77%	33%	153%	71%	117%	67%
Average for FY'00 - FY'03	33%	38%	65%	84%	62%	47%
Region's share of FY'04 intended	63%	28%	1%	5%	4%	
Region's share of FY'04 obligated	72%	14%	3%	5%	6%	

PART 2: PROJECT PHASES OBLIGATED

	R 1	R 2	R 3	R 4	R 5	All
Obligated	8	3	2	1	2	16
Intended (programmed)	16	9	1	2	2	30
% Phases Obligated	50%	33%	200%	50%	100%	53%
Average for FY'00 - FY'03	36%	34%	53%	69%	83%	45%
Region's share of FY'04 intended	53%	30%	3%	7%	7%	
Region's share of FY'04 obligated	50%	19%	13%	6%	13%	

Through FY 2004, Oregon obligated 62% of its TE apportionment and 69% of available funds⁴. This is a gradual increase over past years, but Oregon is No. 46 out of 52 nationally for TE funds obligated (1992-2003 cumulative)⁵. Our place in these rankings is affected by state laws, ODOT policies, ODOT Local Programs staff available to assist local agencies, and the experience and motivation of TE project sponsors. It also depends on the funding ODOT makes available for TE projects. With the OTC decision to withhold 40 percent of the anticipated TE funds for FYs 2004-2009, Oregon can expect to remain low in the national rankings for several more years. However, recent efforts to increase TE funding and to improve project selection and local agency assistance will help improve Oregon's standing.

To maximize the cumulative rate it is important to commit all available funds to projects and keep those projects on schedule. Region 1 and Region 2 together have over \$5 million in incomplete projects from FY 2003 and before. Nine of the ten delayed projects will probably go to contract in 2005. With this accomplished Oregon will improve its obligation rating by about five points and gain several places in the national rankings. Prompt obligation of funds for the 2004-2006 and 2007-2008 projects will also help improve Oregon's standing.

CONCLUSION

In FY 2004 the TE program initiated a new project selection process and continued a gradual improvement in project delivery. The number of projects completed held even at eight for the year. The \$7.3 million obligated was second highest in the 13 years of the program. The percentage of funds obligated and the percentage of on-time project delivery both exceeded 60 percent for the first time. All eleven projects selected in 2003 and scheduled to begin preliminary engineering in FY 2004 had advanced to PE by October 2004.

The new two-step process for project selection was successfully in improving the quality of applications received in September 2004. (Next year's report will include a critique of the public comment process and ACT / ERT involvement.) The TE Advisory Committee worked well together in revising the project selection process and restructuring the policy/procedure document.

Delivering projects on time and on budget continues to be a challenge, but new strategies for project selection and programming appear to be helping. The program is showing a gradual but steady improvement. Projects completed this year, and those now under way, continue to promote the intent of the TE program. Bike paths, sidewalks and streetscapes, and transportation-related historic preservation all help "strengthen the cultural, aesthetic, and environmental value" of the transportation system and are very important to communities throughout the state.

⁴ Based on amount available after limitation—averaging 90% of the appropriated amount for 1992 - 2001.

⁵ *Transportation Enhancements: Summary of Nationwide Spending as of FY 2003 (NTEC, 2004)*