

# Financially Constrained Project List Development Process

## 1. Introduction

The Oregon Administrative Rules ([OAR chapter 660, division 12](#)), also known as the Transportation Planning Rules (TPR), identify the requirements associated with developing a financially constrained project list (rule 0180) for a Transportation System Plan (TSP) in a metropolitan area. This factsheet provides cities and counties with the “how and why” of preparing the financially constrained project list as part of a TSP update.

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*The Federal Highway Administration (FHWA) defines a financially constrained project list as a list of transportation projects that can be implemented using available, committed, or reasonably available revenue sources. The list must also demonstrate that the federally supported transportation system will be adequately operated and maintained.*

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## 2. Purpose

The TPR requires cities and counties in metropolitan areas to include a financially constrained project list in their TSP to:

- 1) Ensure coordination between cities, counties, metropolitan planning organizations (MPOs), transit providers, and the state on regional priorities.
- 2) Outline investments in the transportation system that support existing and planned land uses and progress toward performance measures.
- 3) Support their local MPO in meeting federal requirements for providing a financially constrained project list in the Regional Transportation Plan (RTP).

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*“Reasonably likely” is a term originating but not defined in the TPR (rule 0060). Rule 0060 directs cities and counties to plan for transportation capacity. When agencies evaluate plan amendments outside of climate-friendly areas (CFAs) and Metro 2040 Centers, transportation improvements supporting the new land uses can generally be considered “reasonably likely” to occur in the planning horizon if they are included in the financially constrained list of a local TSP or the RTP; however, the facility owner or operator must affirm financial constraint.*

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### 3. Process

The TPR provides extensive detail on the process and requirements for developing a TSP and its project list. Some key citations pertaining to the fiscally constrained project list are:

- [Rule 0170](#) – Unconstrained project list
- [Rule 0115](#) – Funding projections
- [Rule 0155](#) – Prioritization framework
- [Rule 0180](#) – Financially constrained project list

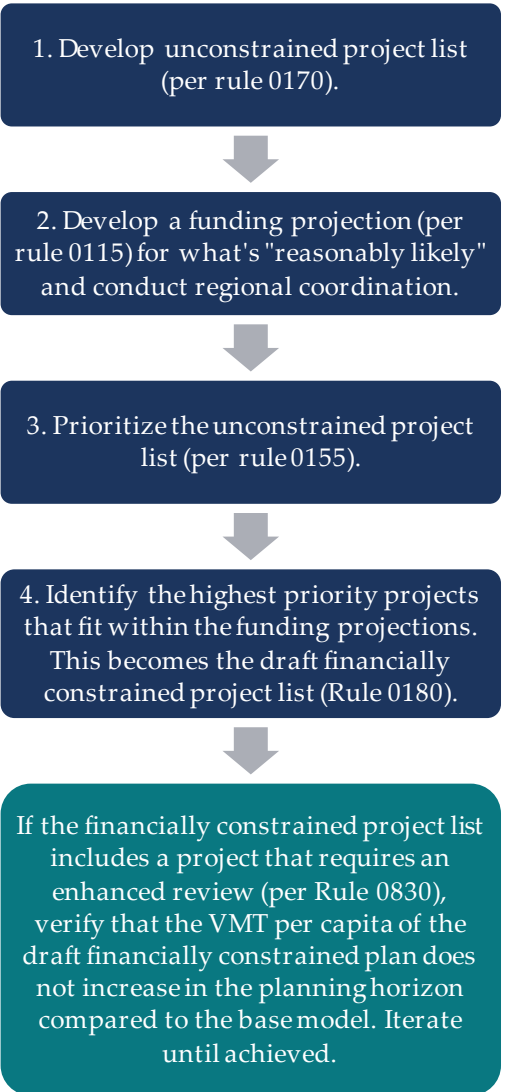
As described in the rules noted above, developing a financially constrained project list begins with developing an unconstrained project list, assessing available funding, and then prioritizing projects into a list that can reasonably likely be funded during the planning horizon. This may include projects with estimated costs totaling up to 125% of the funding forecast.

When complete, the financially constrained project list must include all the pedestrian, bicycle, transit, and street and highway system projects that are reasonably likely to be funded and implemented within the planning horizon. **The financially constrained project list must include projects for facilities and services owned and operated by the local jurisdiction and those owned, operated, and/or supported (funded) by others, including ODOT.**

### 4. Unconstrained Project List (Rule 0170)

In preparing a TSP, a jurisdiction must develop and evaluate solutions that address the transportation system needs identified in the existing and future conditions analyses. Cities and counties in metropolitan areas should consider the need to reduce vehicle miles traveled (VMT) per capita within the planning horizon when developing and evaluating solutions.

#### Steps to Develop the Financially Constrained Project List



The unconstrained project list combines projects from the pedestrian, bicycle, public transportation, and streets and highway elements<sup>1</sup> of a TSP into a single prioritized list.

Per the considerations above, the unconstrained project list should include:

- Regionally significant projects on all publicly owned, operated, or supported facilities and services within the planning area, regardless of jurisdictional ownership or maintenance responsibility. This includes projects on city, county, and state facilities, as well as projects from transit agencies operating within the planning area, and others.
- Projects necessary to provide a complete system and to address all gaps and deficiencies in the pedestrian, bicycle, public transportation, and street and highway systems.

While the TPR does not require cities and counties to include every project from the individual modal lists on the unconstrained project list, there is no limit to the number of projects that may be included. The unconstrained project list is likely to exceed expected funding ability.

## 5. Financially Constrained Funding Forecast (Rule 0115)

The financial forecast within the city or county TSP must include the funding sources for regionally significant projects (identified in the RTP) or projects significant to the local agency for city, county, state, and transit agency projects. Cities and counties must coordinate with nearby and overlapping jurisdictions to identify financial responsibility and available funding for projects within their planning boundaries, regardless of who has permitting authority.

The following sections describe funding sources that should be considered, the process to estimate the financial forecast for the financially constrained plan, and the necessary regional coordination to confirm the forecast.

### Funding Sources

Cities and counties in metropolitan areas must include funding projections in the TSP. The projections must include the list of funding sources and amount of funding forecasted to be available within the planning horizon. Agencies should include all funding sources they anticipate using during the planning horizon to operate, maintain, improve, or construct the transportation system. These include local, regional, state, and federal funding sources that are reasonably likely to continue in the future with consideration for their limitations or explicit purposes. These include but are not limited to the following:

- Local and regional funds can include local taxes, bonds, fees, grants or other past funds.
- State and federal formula grants based on factors such as population, road mileage, or usage.

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<sup>1</sup> Within metropolitan areas, cities and counties must also follow the requirements of rule 0830 that call for enhanced review of certain types of projects that add vehicular capacity.

- State and federal discretionary funding might be included but should be carefully projected based on past trends for discretionary awards.
- Other local revenues include those from tolls or other revenue-generating facilities.
- Funding sources for transportation service providers including transit agencies. Funding for transit should consider district funds, biennial formula-based grant funds, and Statewide Transportation Improvement Funds.

Cities and counties must estimate the amount of funding expected to be available from each identified funding source based on reasonable assumptions for growth or changes in the funding amount and allocations to or within the study area.

Utilizing ODOT resources for revenue forecasting (see page 6) as well as the RTP are important tools for determining constraint and estimating federal and state funding. **The RTP can serve as the foundation for estimating federal and state funds and can help ensure the TSP aligns with the level of fiscal constraint and inflation factors used in the RTP.**

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*Cities and counties can use a variety of methods to develop growth assumptions:*

- **Historical data:** *Most cities and counties track revenues and expenditures on an annual basis and can use the data to serve as the basis for growth assumptions.*
  - **Growth projections:** *Forecasted population and employment growth can provide an index for identifying growth assumptions. For example, if a city or county expects to grow by 10% over the planning horizon, they can reasonably expect their allocation of the state gas tax to grow by approximately 10%.*
  - **Economic indicators:** *Factors such as inflation, fuel prices, and changing demographics may influence growth assumptions.*
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### **Developing the Financial Forecast**

Cities and counties should review the RTP and other planning documents and coordinate with ODOT and other facility owners when forecasting funding and identifying projects with funding commitments. This can help ensure consistency in projections and inflationary factors used.

The steps to develop the funding forecast include:

1. **Review the RTP** to estimate federal, state, and regional funding for the region, identify projects on facilities owned by others (constrained and unconstrained), document assumed transit service levels, inform estimates of funding available from non-local sources for projects on local facilities, and **identify if any local funding has been committed to projects on facilities owned by others**. Using this information, the local TSP should describe the regional funding picture, identify constrained and unconstrained projects on facilities owned by others, and verify the approach at the

ODOT Region level for assumptions about federal and state grants and how those are allocated into the financially constrained plan.

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*Regional forecasting resources may be available as well. For example, Metro works with County Coordinating Committees and each city to develop revenue forecasts for capital projects and for operations and maintenance (O&M). Metro provides a worksheet for each jurisdiction to fill out or update for each RTP cycle. The worksheet consolidates information for each agency and provides an overall forecast for the Metro area. [Appendix H](#) of the RTP provides additional information on forecasts.*

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2. **Coordinate with ODOT and other facility owners** within the planning area to confirm funding assumptions, consistent project cost inflation factors, financially constrained projects on facilities owned by others, commitments by the local agency to help fund these projects, and assumed planned future transit service coverage and service levels.

Consider projects in the following types of plans:

- **RTPs:** RTPs identify major projects on state or other jurisdiction facilities. The constrained project list in the RTP should be the source of any traffic and other transportation modeling needed for TSP and project analyses. Agencies submitting projects to an RTP financially constrained list may need to allocate their own projected financial capacity toward its delivery, even if the project is on a state facility.
- **TSPs:** TSPs from other jurisdictions adopted since the last RTP can help identify constrained versus unconstrained projects in the planning area.
- **Statewide Transportation Improvement Plan (STIP):** The STIP can help identify projects on state and some local facilities with a dedicated funding source.
- **Metropolitan Transportation Improvement Plan (MTIP):** The MTIP can help identify projects on state and local facilities with a dedicated funding source.
- **Transit Development Plans (TDPs):** TDPs can help identify transit projects and service levels with a dedicated funding source.
- **Statewide Transportation Improvement Fund (STIF) Plan:** The STIF Plan is a short-term program of projects that can identify the suballocation of transit operations versus capital projects.

Upon review of the planning documents, cities and counties should coordinate with these plan owners to determine if the plans are up to date, if anything should be added or removed, and assumptions on future transit service levels and types.

Project cost estimates should include full project costs, including preliminary engineering, right of way acquisition, utility work, construction and other key parts of project delivery. These costs may be distributed over several phases and those phases may be split between the constrained and unconstrained project lists.

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*ODOT maintains [Revenue Forecasts](#) which present a selection of forecasts for state transportation revenue. It is published twice a year to assist in financial planning, the formulation of transportation budgets, and to support other decision-making activities.*

*ODOT also maintains a range of useful [Economic Reports](#) including a “[Financial Assumptions for the Development of Metropolitan Transportation Plans](#)” document that provides planning level project cost inflation rates appropriate for a 20-year planning horizon.*

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3. **Forecast local funds** by funding source (such as local gas taxes, fees, property taxes, general fund allocations, and system development charges). Base the forecast on reasonable growth assumptions that are consistent with state and regional forecasts.
4. **Identify the funding needed to operate and maintain the transportation system** or funding used for purposes other than development of transportation projects and remove this amount from the funding projection for the financially constrained project list.

### **Funding Forecast Examples**

- The [City of Medford TSP](#), pages 55-57, provides an example of forecasting revenue sources, documenting O&M costs, and estimating the amount of projected funds available for capital projects.
- The [City of Veneta TSP](#), pages 49-51, provides an overview of how the financial constraints were established.
- The [City of Eugene TSP](#), pages 79-87, provides an example of coordinating funding projections between the MPO, RTP, and local TSP.
- The City of Hillsboro TSP [Financing Plan Memo](#) forecasts a variety of local funding mechanisms. The TSP [Financing Plan Chapter](#) connects projects to likely funding sources, including projects likely to be funded by private development. It also includes funding dedicated to citywide programs and to O&M.

## **6. Identify Committed Funds**

After developing a holistic funding forecast, jurisdictions should identify funding already committed to projects or for programmatic purposes. This amount should be subtracted from the financial forecast to identify the remainder that can be used for the rest of the agency’s projects.

Cities and counties often set aside funds for programmatic uses that allow the jurisdiction to support ongoing operations and maintenance, target specific types of infrastructure improvements or to take advantage of opportunities as they arise. The [Metro – 2023 Regional Transportation Appendix H: Financial Strategy Documentation](#) provides an example of how operations and maintenance funding needs are considered first and those funds removed from the available budget for capital projects.

The TSP should identify how these set-asides fit within the prioritization framework and are consistent with achieving TSP objectives. The TSP should also provide guidance on how projects within the programs will be prioritized. This guidance should be consistent with the prioritization process applied in the TSP for each mode. A few common set-asides include:

- **Safe Routes to School (SRTS):** Funds for SRTS programs, services, and infrastructure improvements.
- **Transportation Options (TO):** Funds for TO programs and services.
- **Safety:** Funds for local infrastructure improvements that address safety. This may include projected local contributions for All Roads Transportation Safety (ARTS) projects based on a review of state safety funds anticipated over the planning horizon.
- **Piggyback:** Funds to supplement larger federal, state, or local projects or augment the scope of projects with other funding sources, such as maintenance projects.
- **Matching:** Funds used as a match for federal, state, and regional grant programs.

## 7. Project Prioritization (Rule 170)

[Rule 0170](#) directs cities and counties to develop a method for prioritizing projects on the unconstrained project list and document the process in the TSP. The methodology must emphasize reducing VMT, reducing burden and benefit disparities for underserved populations, achieving [rule 0910](#) performance targets, and the prioritization framework outlined in [rule 0155](#).

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*The TSP provides a prioritization framework to inform the various stages of project identification, selection, and prioritization. Cities and counties will use this local methodology throughout the planning process and specifically when evaluating solutions and prioritizing modal lists in the unconstrained project list.*

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## 8. Financially Constrained Project List (Rule 0180)

Cities and counties in metropolitan areas are required to include a financially constrained project list in their TSPs per [rule 0180](#). The financially constrained project list must emphasize projects that would reduce VMT per capita, benefit underserved populations, and make substantial progress toward meeting performance targets in [rule 0910](#). The city or county may need to reprioritize or modify their project lists to help meet these requirements.

Counties are responsible for transportation planning in areas of unincorporated lands within an urban growth boundary (UGB) except for areas where there is an agreement between a city and the county that the city has the planning authority and will include the area in its financially constrained project list, as applicable.

**The financially constrained project list must include the highest priority projects from the unconstrained project list that can be completed within 125% of the forecasted available funding.** Project costs should be determined for year of expenditure and should be expressed as a range of likely costs. Collectively, the constrained list must ‘roll up’ to fall within that 125% threshold. If the level or type of funding is uncertain, a project can be retained on the unconstrained project list and moved onto the constrained project list via an amendment to the TSP at a future date.

The constrained project list should be developed in coordination with ODOT and other affected agencies such as transit providers. It is the responsibility of the facility owner/operator to affirm whether a project is likely to occur, even if a project is not in the RTP. The facility owner/operator determines fiscal constraint for specific projects on their facilities/services. For example, if a city or county proposes to fund/support work on a state facility, it remains the state’s responsibility to determine whether the project should be included on a constrained project list.

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*The TSP does not govern the RTP process or which projects go into the RTP. However, cities and counties may only submit projects on their financially constrained project list to the MPO for inclusion in the financially constrained RTP. Agencies should not include state projects in a financially constrained TSP or RTP project list unless funding has been identified by the state, MPO, or local agency. Securing funding for large and/or regionally significant projects typically requires significant planning, environmental, and/or pre-design work. In order to be funded, designed or constructed, state and local projects must be on the TSP’s constrained project list (with a few exceptions) and regionally significant projects must be on the RTP constrained project list.*

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Changes to a financially constrained project list in a TSP (e.g., adding, removing, or modifying a project) require an amendment to the TSP. Such changes may also require further review and confirmation of impacts to VMT per capita. After a TSP update, cities and counties should coordinate with their regional partners to reflect the changes during the next RTP update opportunity.

### **VTM Per Capita Evaluations**

If the financially constrained project list includes vehicle capacity increasing projects that trigger enhanced review per [rule 0830](#), cities, counties, and Metro must demonstrate that VMT per capita at the horizon year would not increase over the base year. Cities under 5,000, counties with populations less than 10,000 within urban growth boundaries (but outside of incorporated cities) are exempt from this requirement.

The VMT per capita forecast should be based on the forecasted growth allocations (e.g., land use plan) and the projects on the financially constrained project list ([rule 0160](#)). If required to demonstrate a VMT per capita reduction, cities and counties may only adopt a TSP if the projected VMT per capita at the horizon year is less than or equal to the base year. Metro may



only adopt an RTP if the VMT per capita reduction is consistent with the metropolitan greenhouse gas reduction targets in [OAR 660-044-0020](#).

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*Including capacity-increasing projects in the financially constrained project list could result in an iterative process, in which the financially constrained project list is incorporated into the MPO's future travel demand model (which would include all the fiscally constrained projects within the MPO in addition to the ones in the local TSP) and the model outputs for VMT are compared to the base model. If there is no decrease in VMT with the proposed list, use a different list and iterate until a reduction occurs.*

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## 9. Implementation

Cities, counties, Metro, and the state may develop, fund, and construct projects on the financially constrained project list. There are a few important caveats to this requirement, however. Operations, maintenance, safety, and preservation projects are typically not identified as specific projects in TSPs but are 'bucketed' and may still be implemented. Additionally, cities and counties may develop, fund, or construct a project on the unconstrained project list if:

- The project is required as a condition of land development;
- A property owner is providing financial or material contributions to the project; and
- The project would not be subject to the enhanced review process ([rule 0830](#)).

If an unconstrained project receives grant funding or other funding specified for the project, or if transportation funding is higher than projected, a city or county can amend their TSP to update the forecast and add projects to the constrained list. If projects are added for a general increase in funding, the prioritization process applied in the TSP per [rule 0155](#) should be followed.

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*It is common for cities, counties, and ODOT to seek funding for projects on the unconstrained project list, particularly after completion of major planning processes. For example, ODOT may seek funding for a project that recently received approvals through a National Environmental Policy Act process, and once secured, work with the local jurisdiction to amend the TSP to move the project onto the financially constrained project list.*

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### Resources

- ODOT's [Financial Assumptions for the Development of Metropolitan Transportation Plans](#) (2022)
- ODOT [Economic Reports](#) and [Revenue Forecasts](#)
- MPO Regional Transportation Plan
  - Metro – [2023 RTP Chapter 5 – Our Transportation Funding Outlook](#)
  - [Metro – 2023 Regional Transportation Appendix H: Financial Strategy Documentation](#)