



OMNI (Oklahoma-Missouri-
Nebraska-Iowa)
Peer Exchange on DOT Financial
Practices and Programs

Summary Report

March 7 and 8, 2019

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Oklahoma City, Oklahoma

Overview

This customized exchange will provide an opportunity for a small group of state DOTs (Oklahoma-Missouri-Nebraska-Iowa) to discuss common issues, compare best practices, and engage in a facilitated dialogue about managing and strengthening key aspects of their transportation programs. The objective is to develop internal capacity by providing opportunities for interdisciplinary collaboration and learning within each DOT and sharing of best practices among the states.

Focus Area: Program Development

Facilitated Discussion on Forecasting

- State participants described the array of revenue sources available to them and the forecasting challenge given disruptions in the transportation industry. Common revenue initiatives include incremental gas tax increases and electric vehicle registration fees, with some indexed to inflation, some participants talked about current or potential efforts to utilize certain sales tax receipts for transportation purposes. There was also discussion about how best to apply fees to charging stations for electric vehicles, especially for large commercial charging stations (as opposed to residential and retail charging).
- Concerning federal funds, most states just assume future levels will match the last year of the FAST Act funding levels as a likely or best-case scenario.
- Participants described funding uncertainty associated with difficult budget years, reframing the challenge from forecasting revenues to keeping them within the state DOT instead of being redirected for other purposes. They talked about how such political risk can be the greatest variable in forecasting available resources.
- In considering revenue sources and forecasts, the group touched on needs assessments and the federally-required Transportation Asset Management Plan in order to analyze tradeoffs and allocate resources among competing needs (e.g., bridges vs. pavements). Missouri participants talked about the tools they have developed to help people understand how much they actually pay in transportation fees and taxes. The group also talked about how to convey the benefits of transportation investment in terms of safety improvements, congestion relief, economic development, etc.
- Participants talked about approaches to assessing the uncertainty / variability of fuels tax revenue and electric vehicle usage. Participants from Iowa described their DOT's *2018 Report on the Impact*

of Electric Vehicles to the Road Use Tax Fund (see resources at end of summary) and the forecast looking out to 2035.

- Participants also considered the disparities between urban and rural populations and transportation usage, referring to a recent RUC West study on *Financial Impacts of Road User Charges on Urban and Rural Households* (see resources at end of summary).

Oklahoma remarks on having an “on the shelf program” (also known as overprogramming)

- Oklahoma participants described a formalized approach to develop an 8-Year Construction Work Plan with the objective of having projects “on the shelf” two years ahead of funding availability (meaning design completed, permits obtained, right-of-way acquired and utilities relocated). Over 50 projects are on the shelf at any given time to take advantage of additional funding opportunities – such as the ARRA (Stimulus) funding in 2009 and the annual August Redistribution of additional obligation limitation by the FHWA.
- The Project Management division was established in 2000 to lead this initiative. Projects are tracked in a customized Oracle program and are developed using Microsoft Project. There is a single point of contact (Project Manager) for pre-construction activities, and the division relies on a mix of in-house and contracted resources to manage the program.
- This effort results in “overprogramming” by 7-8 percent on average and provides a high degree of project delivery certainty.

Iowa remarks on use of electronic STIP (eSTIP)

- In 2005, Iowa (through its county engineers) developed an online system for its 9 MPOs and 18 RPAs to compile and submit TIPs to help create the STIP. Local project sponsors use this web-based system to submit projects to the MPOs/RPAs, which then review the lists of projects and approve the TIPs. The system has mapping features and project development features with check dates for key steps. It also has a public out-facing page.
- The eSTIP facilitates coordination and saves time in compiling the STIP, from initial input by project sponsors to review of projects and approval of TIPs by MPOs/RPAs to compilation of the STIP by the DOT and approval by the FHWA. It also provides a way to log and document the process.
- In addition to programming highway projects, the eSTIP now also accommodates transit projects sponsored by the state’s 35 transit agencies and enables electronic approval by the FTA.

Facilitated Discussion on STIPs

- Some participant states do not use an electronic STIP and do not view STIP compilation as an existing “pain point” due to the relative lower number of metropolitan / regional planning agencies requiring coordination; but, most see value in managing the process more efficiently.
- States discussed eSTIP in the context of project finance systems, whether those systems are customized or generic, with various levels of automation.
- One state described how it uses an asset management program to categorize and allocate funding in conjunction with a long-term needs assessment. Another state shared that it has launched a commission to examine transportation revenues and help policy makers and the public to better understand how taxes are connected to assets. One state shared a calculator used to demonstrate

this information to the public and another showed a video that demonstrates how to make the investment business case (see resources at the end of the summary).

- States described their approaches to collaborating / communicating with MPOs / RPAs and amending STIPs.

Focus Area: Program Management I

Oklahoma remarks on its DocVault System

- Oklahoma described how project files are centralized, including all documentation required for review prior to authorization. This ensures a streamlined authorization process for FHWA. Anyone who touches the project can access the folder and drop information into the folder. The folder acts as a reservoir for project information.
- Other states talked about how their DOTs are moving in that direction, making project review much easier. States also talked about the level of duplication and redundancy if files are saved in multiple locations. Another state shared its process for using a checklist to achieve similar ends.

Facilitated Discussion on Financial Systems

- State participants discussed both the operational and management challenges associated with financial/enterprise information systems. A universal challenge is posed by the very different approaches to business systems by the states.
- Participants talked about how authorizations can be held up due to various internal systems not talking to each other. Additionally, the DOT systems must interface with other state systems as well as FHWA's Fiscal Management Information System (FMIS).
- There was some discussion about issues with FMIS 5.0 and the need for the upcoming FMIS Work Group to address problems with certain data fields and reports.

Facilitated Discussion on Cash Management

- There was a general conversation among the participants to compare policies and procedures for managing cash.
- Some of the states do not have minimum or maximum balance requirements, but they do have practices in place for maintaining balances within a "comfort zone" or threshold amounts that often relate to operating cash required for certain time periods. Two participants noted that their states have explicit statutory requirements for maintaining a certain amount of cash on hand.
- There was acknowledgement that having "too much" cash on hand would invite scrutiny from and possible action by the state legislature.
- Some participants noted that use of a Design-Build-Finance delivery approach could add predictability to project cash flows. Having a monthly cash flow meeting among key officials was described as a best practice for program management.

Lunch Discussion on Repurposing Earmarks

During lunch the FHWA participants provided a brief overview of the earmark “Repurposing Provision” that was first introduced in the FY 2016 appropriations and has been continued through the recent FY 2019 appropriations. This provision allows a state to repurpose any earmark that was designated more than 10 years ago and is less than 10% obligated (or final vouchered and closed) by obligating the available funds on a new or existing project within 50 miles of the earmark designation. The process involves filling out a form that is processed by the FHWA division office to confirm the earmark eligibility for repurposing and ensure that requirements for obligating the repurposed funding will be met. The total amount of repurposed funds was about \$1.8 billion in 2016, another \$190 million in 2017, and about \$130 million in 2018. In discussing their experiences with repurposing earmarks, the group agreed that choosing / defining the new or existing project(s) to receive the repurposed funds must be done with care in order to minimize the probability of those funds being “stranded” once again.

Focus Area: Program Management II

Facilitated Discussion on Advance Construction

- The Advance Construction (AC) discussion was kicked off with a brief presentation by the BATIC facilitators on the use of AC – both nationwide and by the states represented at the peer exchange. One chart showed that overall AC use has increased by 45% since 2011, with the aggregate AC balance increasing from \$42 billion to \$61 billion. Other charts showed the AC balances over time for the states at the peer exchange, with the states not identified. The participants correctly identified their state AC usage patterns and proceeded to explain why the use of AC has changed over time.
- In some cases, the AC usage pattern reflects the timing of the issuance of GARVEE bonds to finance a large project or program of projects. The balance jumps up with project authorization and falls back as the bonds are paid off with federal-aid conversions. In other cases, the state has decided as a matter of policy (sometimes imbedded in law) not to issue debt and to proceed with funding projects on a pay-as-you-go basis. One state described a situation in which there is insufficient revenue to advance projects with state funds and then convert them to federal-aid projects.
- Participants described how states employ AC on certain types of project improvements / phases or projects with certain cost thresholds (e.g., on all rail-highway projects or project elements costing over \$50,000).
- There was discussion about how advancing certain projects / elements having unpredictable schedules with AC can help avoid “project end date problems” down the road.
- Some pointed out that how a state utilizes AC could have implications for future federal funding rescissions – for example, by converting (spending down) fund categories that are subject to rescission.
- Participating states indicated a lack of guidelines that provide written policies for use of Advance Construction.

Facilitated Discussion on Fund Swapping

- Participants discussed their experiences with fund swapping, where the state DOT provides state funding to local entities who wish to turn back their federal funds in order to avoid dealing with the federal requirements that pertain to federal funds. While no federal approval is required for such a program, the state typically must get legislative approval.
- Three of the states have swapped funds with local entities. One state implemented fund swapping on a dollar-for-dollar basis with nearly all of its metropolitan and regional planning agencies after obtaining legislative approval. Another state uses about 5% of its state transportation funds to buy back federal funds from cities and counties at a rate of 90 cents on the dollar (city or county gives back one dollar of federal aid and gets 90 cents in state funds in return). A survey by the AASHTO Standing Committee on Finance and Administration and the Subcommittee on Transportation Finance Policy indicates that eight states have engaged in fund swapping with exchange rates ranging from 85 cents to 110 cents on the dollar (see resources at end of summary).
- Fund swapping occurs through the local / regional planning process and is seen as a way to expedite local agency decisions.

Focus Area: Project Delivery

FHWA remarks on non-federal match guidance

- FHWA participants led a discussion about non-federal match requirements, with a focus on new guidance concerning tapered match. Essentially the voucher-by-voucher fund matching requirement has been eliminated – now a project can be authorized in some instances as a “tapered match” project (going from higher to lower federal share or vice versa). This allows the non-federal participation to vary, as long as the proper non-federal share is satisfied at the end of the project.
- The group discussed how the new, more flexible fund matching could reduce improper payment flags (since variable reimbursement rates has been a signal of improper payments) and facilitate cash flow management.
- FAQs on the non-federal match guidance can be found at:
https://www.fhwa.dot.gov/legsregs/directives/policy/fedaid_guidance_nfmr.pdf

Facilitated Discussion

- In addition to non-federal match, the participants discussed other federal-aid program management issues including inactive projects, project end dates, and the use of toll credits.
- States described different strategies for dealing with slow or inactive projects, including allowing extra time for completing certain project phases or types. There was discussion about enhanced monitoring of various projects involving local or private entities, getting construction people more involved in establishing end dates, providing more training to improve project delivery, and establishing “reasonable progress” policies – potentially to include sweeping back money if a project does not advance sufficiently.
- The BATIC facilitators provided a short preview of some of the data assembled for an ongoing research brief on the use of toll credits. One chart showed that the 28 states and Puerto Rico

participating in the toll credit program had an aggregate toll credit balance of \$29 billion at the end of FY 2018. Other charts presented responses to a short survey about how the states earn and spend toll credits. The discussion about toll credits led to speculation about the cost of federalizing projects and the value of avoiding federal requirements on some projects by using toll credits to satisfy the non-federal match requirement in order to free up state funds and minimize the number of federal-aid projects.

- States described how they collaborated with FHWA division offices on these topics.

Institutional Capacity Assessment

Participants engaged in a “Question Storming” exercise to identify capacity building needs. Questions posed to participants:

Think ahead a year or two years from today. What questions, if you were able to answer them in the coming months, would help you to be more successful in your job and/or help your organization to be more successful in meeting your goals during that timeframe? What answers could be transformative in large or small ways?

After independently developing individual questions, the participants were organized into small groups to discuss their ideas and report out their priority questions to the full group. The groups had many similar concerns.

Team Results

1. Grape Team

- a. How do we retain skilled workers? How do we hit the ground running when there are major staffing changes?
- b. How do we reduce the time spent monitoring inactive projects? How many resources should be dedicated to this effort? How much time should be spent reviewing projects and what are the right project delivery skillsets?

2. Blueberry Team

- a. How do we retain skilled workers in the face of force reductions and low morale? How do we address workforce needs when retirement rates will increase over the next five to ten years?
 - i. Concern about no longer having the draw of a defined benefit pension but a 401k instead; competing with oil/gas industry for certain trades; engineering is mostly outsourced; striving for more flexible work arrangements and a good family atmosphere.

- ii. Concern about having lots of long-term employees meaning higher retirement rates in 5-10 years; developing core competencies for young engineers and other employees; difficulty competing with private industry wages.
- iii. Concern about the organization getting much smaller; loss of collective bargaining for state employees affected morale; working toward telecommuting and flexible schedules.

3. Green Apple Team

- a. Why can't we make all federal funds much more flexible as long as performance standards are met?
 - i. Have One Federal Program (a true Surface Transportation Block Grant Program) with a 90% federal share.
 - ii. States are in the best position to allocate resources and manage the program to the right standards.

4. Cherry Team

- a. Communication with stakeholders: How can we do better with FHWA, legislators and the public?
 - i. Oversight / stewardship agreements
 - ii. Public “dashboards” that contain performance reporting and budget data
 - iii. Open town halls
 - iv. Citizens guides
- b. How can we improve cash flow forecasting?
 - i. Compare use of data and methods across the states
 - ii. Examine data available from private sources like Global Insight
 - iii. Determine key indicators like crude oil prices, construction employment, vehicle fuel efficiency
 - iv. Model (or at least consider) “what if” scenarios (e.g., what if federal funds are reduced by 30%)

Final Thoughts

The group concluded with a round robin discussion about how to improve financial management with a focus on performance / results. There were concerns that much day-to-day activity deals with checking boxes that no longer have real value. There are many audits, reports and other required

actions to keep financial and program managers busy, but are they cost-effective and do they cause us to lose sight of the bigger picture?

- How can we be more proactive with federal funds management?
- We should give more thought to “fiscal constraint” and have a more uniform approach from a planning perspective and a financing perspective.
- We should undertake more internal assessments of best practices and capacity building.
- We should take fuller advantage of FHWA/other training opportunities.
- We should spend more time figuring out how to improve coordination with MPOs and other planning agencies.
- What are the right baseline knowledge components of financial management programs?

Resources and Links Discussed

- https://www.edrgroup.com/pdf/FINAL-REPORT---Financial-Impacts-of-RUC-on-Urban-and-Rural-Households_Corrected.pdf
- <http://www2.modot.org/TransportationDollars/TransportationDollars.html>
- <http://publications.iowa.gov/29142/1/EV%20RUTF%20Impact%20Report%20123118.pdf>
- <https://www.enotrans.org/article/unboxing-transportation-lockboxes-at-the-ballot-box/>
- <https://www.ok.gov/odot/Lifeblood.html>

Participant List

Name	Organization	Position
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James Lockwood	FHWA Nebraska Division	Finance Manager
Andrew Callihan	FHWA Resource Center	Financial Program Specialist
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Amy Starr	Nebraska DOT	Program Management Division Head
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