



CAMPO COVID Relief Funding Recommendation

Background:

As part of the FFY2021 federal budget, \$5,958,738 was allocated directly to CAMPO to serve as COVID relief funding. This funding is treated similarly to STBG-DA funding, which is usually managed through CAMPO's Locally Administered Projects Program (LAPP), in the sense that it is eligible for roadway, bicycle/pedestrian, and transit projects. This funding is unique in that the federal match can be up to 100% (rather than the 80% maximum required through traditional funding sources) and does not have an obligation deadline.

FFY2020 and 2021 have been unique funding years for LAPP due to ongoing financial issues at NCDOT that were exacerbated by decreased revenues from COVID-19. Most LAPP projects were asked to stop work or incurring costs in May of 2020, but as early as November of 2019. In October of 2020, CAMPO committed to a fund swap with NCDOT, which allowed NCDOT to utilize \$10m of CAMPO funding (to be returned next federal fiscal year) in exchange for allowing \$10m of CAMPO projects to restart. The financial situation within NCDOT has improved in recent months and all LAPP projects have been given permission to restart. Federal funding, traditionally determined in multi-year spending bills, is largely unknown beyond FFY2021. The current federal transportation spending bill is set to expire at the end of FFY2021, and future funding could come through either an extension of the existing bill or a new bill altogether.

Analysis:

CAMPO has completed an analysis of our outstanding project costs, funding balances, and anticipated timing of project obligations to determine the best use of the COVID relief funding. It is important to note that 1) CAMPO's DA balance is \$10m less, because of the fund swap initiated with NCDOT and 2) CAMPO overprograms (programs more funding for projects than annual allocation) because we know some projects will be late or returned and we aim to draw down as much funding as we can in a fiscal year to protect funds from being exposed from a rescission. ***It is normal that our overall balance is negative, because we know not all projects will obligate this federal fiscal year; however, this is a large balance that will need to eventually be covered with future funding***

FFY2021 Funding Snapshot	
Existing Projects Balance	\$ (70,227,618)
Existing DA Balance	\$ 18,103,798
<u>Existing CMAQ Balance</u>	\$ 6,000,000
Balance	\$ (46,123,820)

Since projects have all paused and restarted around the same time, CAMPO anticipates a significant number of projects will be ready for obligation in the next year. CAMPO anticipates using a modest level of certainty that roughly \$30.6m in project funding could obligate this year. Our current funding balance does not cover this amount of project funding. If the COVID relief funding were to be included in



CAMPO's regular funding balance, there would be close to enough funding to cover the anticipated \$30.6m in project funding that could obligate this year.

FFY2021 Funding Snapshot WITH COVID Relief Funding	
Existing Projects Balance	\$ (70,227,618)
Existing DA Balance	\$ 18,103,798
COVID Funding Relief	\$ 5,958,738
Existing CMAQ Balance	\$ 6,000,000
Balance	\$ (40,165,082)

Looking in to the next federal fiscal year (assuming the same funding allocations as the previous year), CAMPO has a much healthier funding balance because 1) the COVID relief funding is assumed to cover some of our overprogramming balances and 2) because the \$10m in fund swaps with NCDOT will be returned to our balance.

FFY2022 Funding Projections	
Prior Funding Balance	\$ (39,642,296)
FFY22 Projects	\$ (25,000,000)
Anticipated DA Allocation	\$ 17,000,000
Fund Swap Return	\$ 10,000,000
Anticipated CMAQ Allocation	\$ 6,000,000
Balance	\$ (31,642,296)

Recommendation:

CAMPO Staff recommends using the COVID relief funding to cover existing projects.

CAMPO's LAPP funding is experiencing an abnormal phase, mainly due to three unique circumstances.

- 1) The higher than usual number of projects that are anticipated to come through for funding authorization in the next year due to the unanimous pause and restart policy enacted by NCDOT.
- 2) The fund swap with NCDOT in October of 2020, which obligated \$10m of balance that will not be returned until next FFY.
- 3) The future of DA funding largely unknown past FFY2021 since current funding bill due to expire.

Due to these uncertainties, CAMPO does not feel comfortable recommending expanding the LAPP program with the COVID-19 relief funding by adding new projects. CAMPO Staff recommends using the COVID relief funding to help replenish our reserves to ensure that there is enough funding in the next few years to cover the amount of projects anticipated to obligate in this time. By doing so, we are allowing the program to catch up on some of our overprogramming and ultimately putting us in a better position for future years of LAPP.