



IIJA - Year One Program Impacts

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IIJA Funding Background

IJA Funding Background

There are two types of federal highway funding: formula funding and discretionary funding.

- Formula Funding - Funding that is provided for highway programs that is distributed to states based upon a national distribution formula and each **state selects** which projects to put the funding towards (provided the chosen projects meet the eligibility and other requirements for that program).
- Discretionary Funding – Funding that is provided to states for specific projects and **FHWA selects** the projects based upon a national competitive solicitation process.

IJA Funding Background

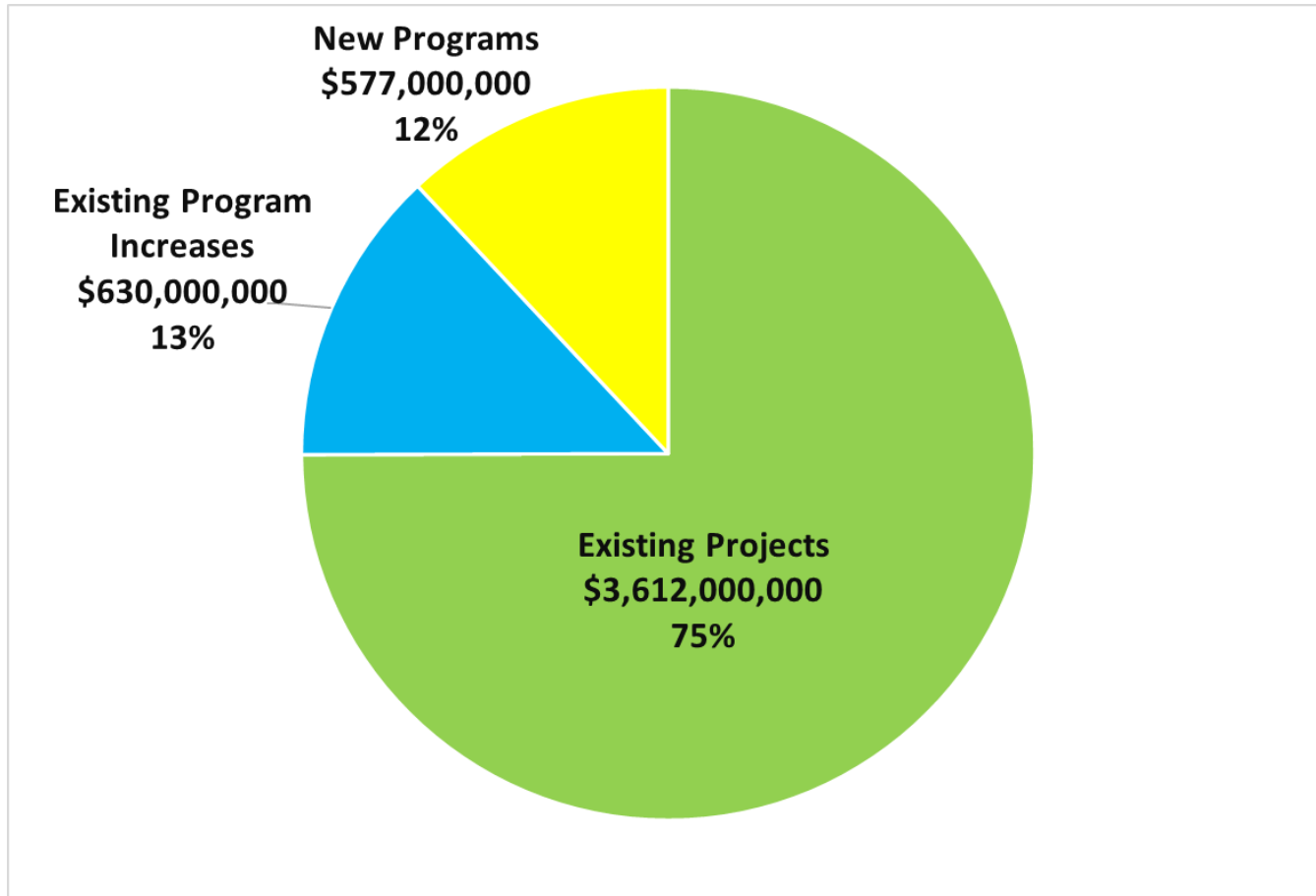
- Formula Funding is the traditional federal funds that;
 1. MnDOT receives from the FHWA;
 2. Targets out to the MnDOT districts, ATPs, and Met Council
 3. Are forecasted, planned, and programmed annually into the State Transportation Improvement Program (STIP).
- Discretionary Funding are the grant programs that were discussed earlier today.

IIJA Funding Background

- The next series of slides will provide information regarding the estimated amount of federal formula funding coming to Minnesota from IIJA.
- Please remember IIJA created significantly more discretionary funding (grant programs) than previous federal transportation acts, so Minnesota's total federal funding should be higher than what is just shown from the formula funding programs.

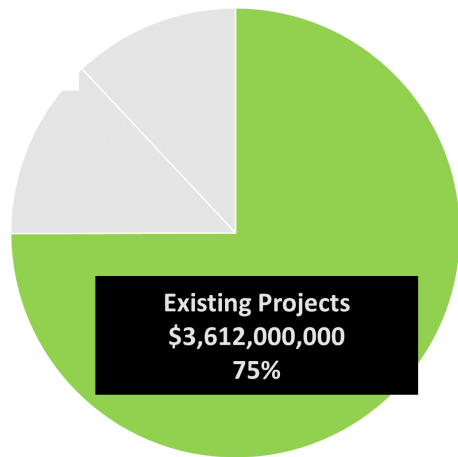
IIJA

Estimated Funding Breakdown for Minnesota



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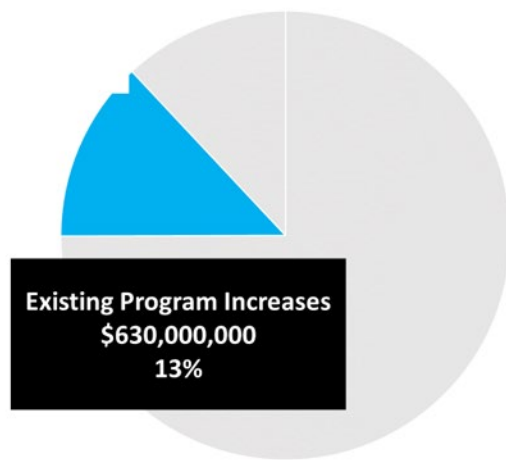
Estimated Funding Breakdown for Minnesota



- MnDOT assumed the continuation of the federal program after FASTACT expired.
- This IIJA funding represents what is already needed to cover programmed projects in the State Transportation Improvement Program (STIP) from that assumption.

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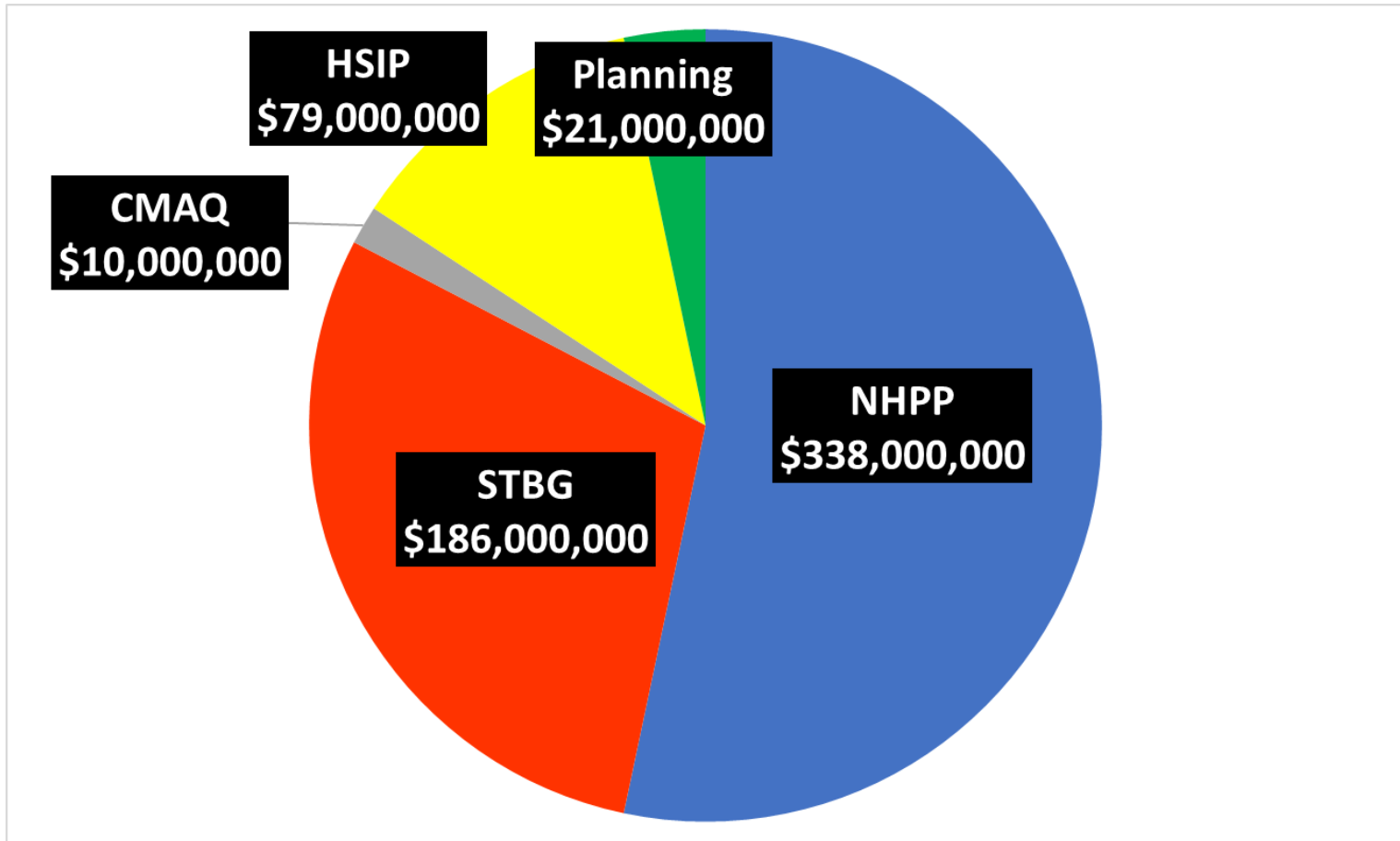
Estimated Existing Program Increases



- This funding represents increases over the current programmed levels of the key core federal highway programs in the STIP.
- This funding can be used to cover increasing existing project costs, expand existing projects, or to add new projects in the program (STIP).

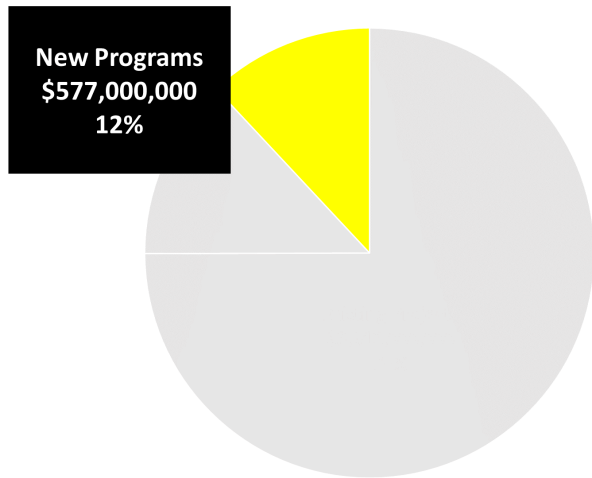
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Estimated Existing Program Increases



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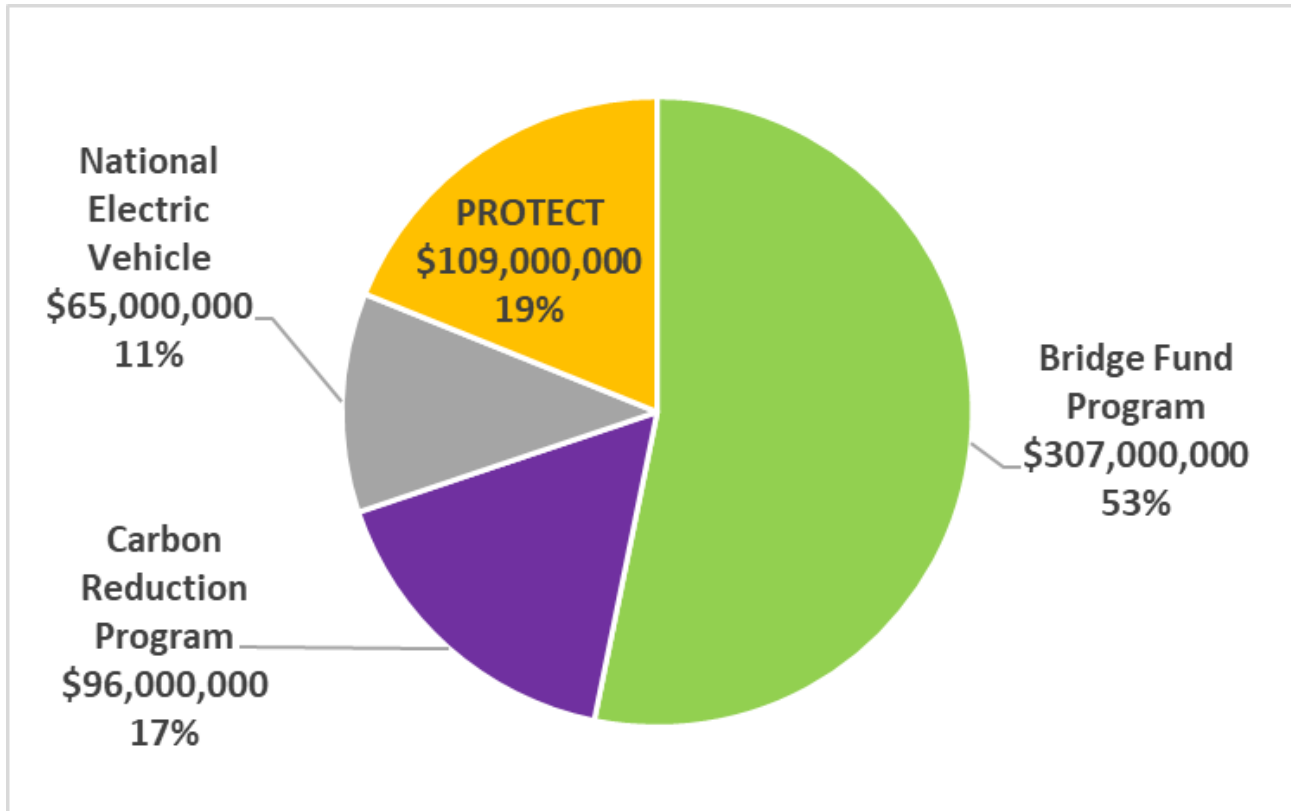
Estimated Funding New Programs



- This is new funding in IIJA that has been directed towards new programs.
- The new programs come with their own eligibility and other requirements.

IIJA

Estimated Funding New Programs





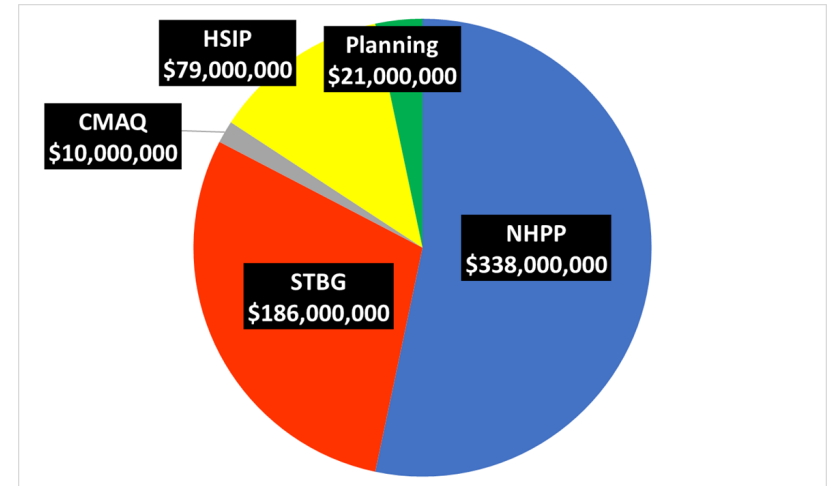
MnDOT's Programming Update Workgroup Year-1 Post IIJA Passage

What is MnDOT's Programming Update Workgroup?

- The Programming Update Workgroup (PUW) is a standing workgroup which is responsible for making recommendations to MnDOT's Transportation Program & Investment Committee (TP&IC) regarding the processes for how core federal highway funding gets distributed and programmed towards projects in Minnesota.
- The PUW includes representatives from:
 - Metro and Greater Mn Counties
 - Metro and Greater Mn Cities
 - Tribal Governments
 - Metropolitan Planning Organizations
 - Regional Development Organizations
 - MnDOT District Staff
 - MnDOT Central Office Staff

PUW Discussions Year-1

IIJA Existing Program Increase



IIJA Existing Program Increases

- When IIJA was passed, existing program funding increased immediately for Federal Fiscal Year 2022
- MnDOT had a couple major projects ready in FY 2022, so it was able to program and use all the existing program funding increases from FY 2022.
- Minnesota chooses to share a portion of its formula federal highway funding with the local governments of the state (counties and state aid cities).
- Historically, approximately 30% of federal formula funds were given to the local governments and 70% was used by MnDOT.
- MnDOT used all of the increases in federal funding for FY 2022 on its projects, but normally 30% of that would have gone to the locals.

IIJA Existing Program Increases

The PUW Recommended and TP&IC Approved:

1. MnDOT use all of the FY 2022 federal funding increases from IIJA, since it had projects available to use the funding.
2. MnDOT pay back to the local governments their 30% share of the FY 2022 funding increases by increasing the dollars the locals receive in FY 2024, FY 2025, & FY 2026.
3. Local governments be provided their share of the FY 2023 through FY 2026 existing program increases to cover increasing costs, expanded work, or to add new projects to the program.

PUW Discussions Year-1



New Federal Bridge Program

New Federal Bridge Fund Program

- IIJA is set to provide Minnesota with an estimated \$307 M of additional funding for bridges through the new federal Bridge Fund Program (BFP).
- This program is funded with General Fund dollars and does not come from the Highway Trust Fund.
- Funds allocated each year from this program do not need to be spent before the end of the year, but Congress must annually appropriate the funding from the General Fund.

New Federal Bridge Fund Program

- BFP funds can only be spent on bridge work.
- 15% of the BFP program must be spent on bridges that are not on the federal aid system (referred to as “Bridges Off-System” or BROS for short).
- The new 15% of BFP funds-system bridges combined with the existing requirement that a portion of the STBG program be set-a-side for off-system bridges represented a significant increase in off-system investments.
- Local representatives on the PUW expressed concern that all the needs for off-system bridges were being met, yet the needs for local on-system bridges continued to outpace available funding.

New Federal Bridge Fund Program

- Keeping with the traditional splits, 70% of the BFP would normally go to the state and 30% would normally go to the locals.
- Concerns were raised by the PUW that some ATPs in the state with a lot of bridges would see most of the funding benefits from IIJA, while areas with not as many bridges would see far less.
- The PUW had a series of discussions about whether it might be possible for MnDOT to help address this potential imbalance in funding increases across the ATPs.

New Federal Bridge Fund Program

- Because of the number and size of bridges on its system, MnDOT could easily spend all the on-system BFP funds.
- MnDOT could potentially take less of the federal STBG program funds and provide that money to the ATPs and since STBG is more flexible it could be used on either local bridges or roadways.

New Federal Bridge Fund Program

PUW Recommended and TP&IC Approved:

1. MnDOT request a waiver from FHWA regarding the requirement that a percentage of the STBG program be set-a-side for off-system bridges.
2. If the waver is granted, distribute the STBG off-system bridge set-a-side funds to the ATPs to be programmed towards local on-system bridges instead.
3. MnDOT takes 85% of the BFP funds for its system and the locals take 15% for the off-system requirement.
4. MnDOT provide the locals with an additional funding from the STBG program that is equal to 15% of the BFP, resulting in the locals still receiving 30% funding.
5. The additional STBG to the locals would then be targeted to each ATP to program towards either bridge or pavement projects.

PUW Discussions Year-1

Changes to the Transportation Alternatives Program



Changes to the Transportation Alternatives Program

- The Transportation Alternatives (TA) funding increased significantly over the FASTACT levels (TA is a subcomponent of the STBG program).
- IIJA allows, but does not require, states to suballocate TA funding directly to smaller metropolitan planning organizations (MPOs).
- Minnesota's ATPs currently have the responsibility for the selection and programming of TA projects for areas covered by smaller MPOs.
- MnDOT's Office of Transit and Active Transportation requested to be more involved in the project selections for TA, to better align with the statewide bicycle and pedestrian plans.
- TA is one of the few traditional core highway programs subject to the Justice-40 requirements from IIJA.

Changes to the Transportation Alternatives Program

PUW Recommended and TP&IC Approved:

1. MnDOT continue its past practice of providing the TA funding to the ATPs and to not suballocate funding to the small MPOs.
2. ATPs need to include a representative from MnDOT's Office of Transit and Active Transportation on the TA project review/screening teams.
3. ATPs must incorporate Justice-40 considerations into their project selection processes.

PUW Discussions Year-1



Local
MnDOT
Offices

Changes to MnDOT's
Capital Resource
Distribution Process

Changes to MnDOT's Capital Resource Distribution Process

- How MnDOT distributes capital funding and programs capital projects across the state is referred to as *MnDOT's Capital Resource Distribution Process*.
- Currently funding for the construction of capital projects in MnDOT's districts comes from two MnDOT programs;
 1. Statewide Performance Program (SPP)
 2. District Risk Management Program (DRMP)

Changes to MnDOT's Capital Resource Distribution Process

SPP Funding:

- Is provided to the districts for specific road and bridge projects on the National Highway System.
- MnDOT's central offices of Bridge and Materials select which projects to fund from SPP, in consultation with district staff.
- Is distributed based upon the need to invest in bridge and pavement preservation projects in order to try to achieve/maintain condition performance targets for National Highway System.
- Only covers the cost to do the needed bridge or pavement fix to improve its condition performance and does not provide funding to do other improvements with the project.

Changes to MnDOT's Capital Resource Distribution Process

DRMP Funding

- Is provided directly to MnDOT's districts for programming.
- Covers all other capital highway investments not covered by SPP, including additional improvements on SPP funded projects.
- Is distributed based upon an agreed to target formula that provides each district a certain percentage of the funding.
- Investments must be in alignment with investment direction established in the Minnesota State Highway Investment Plan (MnSHIP).

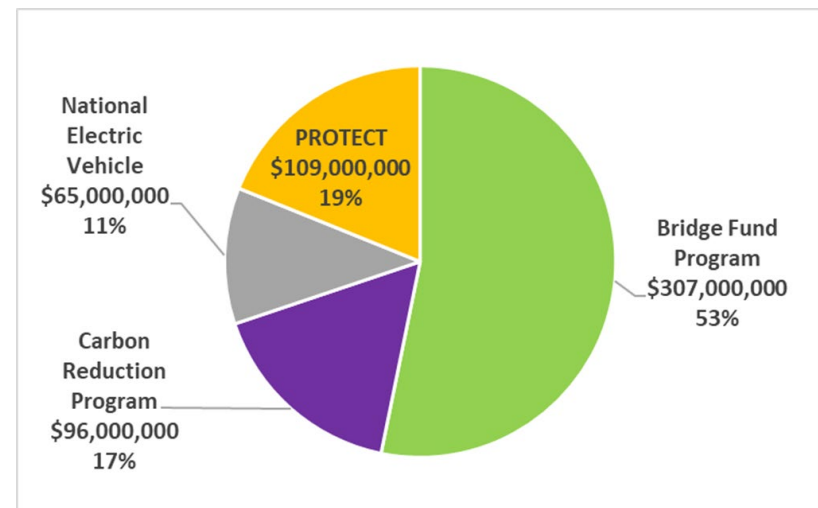
Changes to MnDOT's Capital Resource Distribution Process

- The PUW is currently reviewing MnDOT's use of two programs to distribute its capital funding (SPP & DRMP), as well as the distribution formula used by DRMP.
- The current process has been in place for several years now and was developed in response to the passage of the transportation act MAP-21 (The federal authorization bill that proceeded FASTACT).
- The PUW has not reached consensus on any recommendations to TP&IC at this point, but is working towards having recommendations to them by August.

MnDOT's New Climate and Resiliency Workgroup

IIJA New Climate Focused Programs

Three of the four new funding programs under IIJA deal with national priorities on addressing global climate change.



IJA New Climate Focused Programs

- MnDOT made a decision to create a companion workgroup to the PUW which would be responsible for making programming recommendations for just the climate focused new programs.
- The name of the companion is the Climate and Resiliency Workgroup (CRW).
- Amber Dallman will now discuss the Year One Impacts from the CRW perspective.

Thank you again!

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