Puget Sound Regional Council

Project Tracking Policies for PSRC's Federal Funds

Updated February 2026

Overview and Purpose

The Puget Sound Regional Council (PSRC) project tracking program was first implemented in 2000 to monitor delivery of projects awarded PSRC's federal funds, and has evolved over time to reflect new and emerging circumstances. Over time the project tracking program has helped improve the region's delivery of federal funds and helped to minimize project delays.

The purpose of PSRC's project tracking policies is to ensure the timely and predictable use of all regionally managed federal funds. Doing so will assist the central Puget Sound region to:

- Reduce project delays that lead to increased costs;
- Ensure the traveling public benefits from investments at the earliest point possible;
- Create or sustain jobs needed to stimulate the regional economy;
- Meet federal funding delivery expectations;
- Preserve PSRC funds and ensure they are kept locally and not redistributed to other regions; and
- Position the region to receive unused obligation authority from other states by demonstrating the ability to deliver projects.

Project tracking policies are in place for both Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) funds managed by PSRC. Each is described in greater detail in the sections below.

PSRC will review the adopted policies at a minimum as part of each funding cycle and make any necessary updates, with additional revisions between funding cycles when needed.

Section 1: FHWA Funding Policies

Following are the policies that guide the award, monitoring, and delivery tracking of PSRC-managed FHWA funds.

1A. PSRC Project Selection Process

PSRC has primary responsibility for project selection and distribution of the following FHWA funding programs:[1]

- Surface Transportation Block Grant Program (STBG)
- Congestion Mitigation and Air Quality Improvement Program (CMAQ)
- Transportation Alternatives Program (TAP)

A shared regional and countywide process is conducted to recommend and select projects for PSRC's STBG and CMAQ funds. A regionally-adopted funding split is applied to the regional and countywide forums. Funding recommendations are forwarded to the PSRC Transportation Policy Board by the Regional Project Evaluation Committee (RPEC) and the policy forums within each county. Recommendations are based on the requirements of federal law, guidance provided by adopted regional and local plans, and a policy framework adopted prior to each PSRC project selection process. A separate regional process is conducted on an ad hoc basis for the selection of projects for PSRC's TAP funds.

Additional considerations and requirements include:

- A project phase[2] may receive only one PSRC award for the scope described in its funding application, with additional revenues needed to fully fund the phase secured from local or other sources.
- PSRC typically awards funds for the program years three and four years beyond the funding competition year (e.g., in 2024, funds will be awarded for the program years of 2027 and 2028). PSRC awards funds for the program year requested by the project sponsor to the extent feasible. However, the funds must be balanced between years, and to achieve that balance, PSRC may award funds for a year later than requested. There is typically opportunity to advance the funds as part of the annual TIP rebalancing process as described in Section 1I.
- In some years, PSRC administers additional funds made available through congressional actions, which could have program years, eligibility requirements, or obligation dates that are different than the standard STBG or CMAQ award processes. These are managed on a case-by-case basis and at board direction.

1 Under each federal transportation act, there may be new federal funding sources identified for distribution by Metropolitan Planning Organizations (MPOs). An example under the current Infrastructure Investment & Jobs Act is the Carbon Reduction Program.

2 In the context of PSRC's project tracking policies, a phase refers to the major stages of capital project development and implementation: "Preliminary Engineering/Design", "Right-of-Way", "Construction", or "Other"; or "Planning" for a stand-alone planning study.

The Transportation Policy Board recommends the distribution of all PSRC FHWA funds with final approval by the Executive Board. Once awarded PSRC funds, the project phase is programmed in the Regional Transportation Improvement Program (TIP), which in turn is submitted for inclusion in the Statewide Transportation Improvement Program (STIP).

1B. Obligation Deadlines for PSRC FHWA Funds

The obligation deadline for all FHWA funds awarded by PSRC is **June 1 of the designated program year**. For the purpose of PSRC's project tracking policies, obligation is defined as the submittal of a complete funding authorization package to the sponsor's Washington State Department of Transportation (WSDOT) regional office (as described in chapter 21 of WSDOT's LAG Manual). This submittal deadline has been established to ensure that WSDOT has sufficient time to review and confirm accuracy of all obligation packages in time to complete obligation prior to the end of the federal fiscal year.

Federal legislation requires the Regional TIP to be fiscally constrained by year. While the obligation deadline is June 1 of each year, FHWA funds are available to obligate as soon as the federal fiscal year begins, which is October 1 of the prior year.[3] For example, if 2027 is selected as the program year, the funds will be available to obligate beginning October 1, 2026, and the deadline for obligating the funds is June 1, 2027.

Under certain circumstances, sponsors may request an extension beyond the June 1 obligation date; these policies are described in Section 1C. If no extension is granted, sponsors must meet the June 1 obligation deadline or return of the funds will be required.

PSRC will provide the following additional outreach on upcoming obligation deadlines and consequences for non-delivery.

- Notification of each project's obligation deadline (by phase) will be included in every sponsoring agency's PSRC award letter.
- Additional notification will be provided at the beginning of each fiscal year to remind sponsors of their projects with a June 1 obligation deadline that year.
- Delivery status for projects with obligation in the current fiscal year will be regularly communicated to RPEC and the countywide forums. Sponsors are strongly encouraged to be proactive in notifying PSRC of any issues that could potentially delay or cause uncertainty in a project's ability to deliver.
- Project Progress Reports will be regularly monitored to evaluate project risks, and communications will occur between PSRC, the project sponsor, WSDOT, and the

3 Conditioned upon the funds being made available through Congressional action.

countywide forums to proactively address project risks and potential delays. Progress reports are further described in Section 3.

1C. Extensions

For projects with PSRC funds awarded to a 'right-of-way', 'construction', or 'other' phase, sponsors who do not anticipate meeting their June 1 obligation deadline, due to unexpected circumstances outside of the agency's control, may apply for an extension.

Extensions will not be granted to projects that are delayed due to (1) shifting priorities within the agency, including those due to staffing shortages, (2) insufficient funding, (3) lack of certification acceptance status, or (4) work that was not begun in a reasonable time to meet the deadline. A 'planning' or 'preliminary engineering/design' phase that has been awarded PSRC funds is not eligible to receive an extension. All other requests will be reviewed and considered according to the provisions below.

Extension requests are due to PSRC by February 15 of the designated program year. Requests will be reviewed by PSRC staff in consultation with WSDOT and the chairs of RPEC and the four countywide forums (hereafter referred to as the "Chairs Group"). Determinations are to be completed by PSRC staff and communicated to sponsors by mid- to late March.

When requesting an extension, sponsors must choose one of two pathways:

1. **Standard 45-Day Extension** – provides a 45-day extension for projects that need a short amount of time to obligate the PSRC FHWA funds beyond the June 1 deadline, but within the same federal fiscal year. **If granted, the extended obligation deadline will be July 15 of the current program year**. Standard extension requests will be reviewed by PSRC staff in consultation with the Chairs Group. Determinations will be completed by PSRC and processed administratively.
2. **One-Year Extension** – provides a one-year extension for projects that are significantly delayed. **If granted, the obligation deadline will be extended to June 1 of the following program year**. One-year extensions are reviewed for eligibility by PSRC staff in consultation with the Chairs Group, who provide approval recommendations to the Transportation Policy Board, for final action by the Executive Board.

No funding award to a given phase will be granted more than one extension. Should a request for an extension be denied by PSRC staff, project sponsors may appeal directly to PSRC's Transportation Policy Board. If a project cannot deliver by its deadline and an extension request is denied, return of the PSRC funds will be required.

After receiving an extension, any funds that remain unobligated after the extension deadline will be returned for redistribution according to the procedures described in Section 1G or Section 1I, depending on the timing.

1D. Scope Changes

PSRC funds are awarded to projects with the expectation they will be completed as originally described and scheduled in their grant application. Funded projects have been evaluated and scored, gone through a public review and comment period, and included in a regional air quality analysis, based upon their scope of work submitted at the time of application.

Requests to change a project's scope or adjustments to its location must be reviewed and approved in advance by PSRC staff to ensure that the modified description is consistent with the project's original scope, purpose, intent, and/or utility.

- If a request is determined to be consistent with the original intent of the awarded scope (and could potentially add scope elements), the request will be approved.
- If, in consultation with the Chairs Group, a request is determined to fundamentally change the original scope of work as awarded, the request will be denied.
- If, in consultation with the Chairs Group, a request is determined to be consistent with the original scope as awarded but will result in a smaller footprint or reduction in some scope elements, a proportional return of awarded funds may be required.

Should a request for a scope change be denied by PSRC staff, a project sponsor may appeal directly to PSRC's Transportation Policy Board. Approved scope changes must be updated in the Regional TIP and approved into the STIP prior to a project's obligation deadline.

1E. Partial Obligations

Obligation deadlines apply to the entire amount of a PSRC award for a given phase. However, under some circumstances sponsors with funds programmed for a construction phase may only be authorized to obligate a portion of the award. In these cases, an opportunity may exist for the sponsor to utilize the remaining unobligated funds as the project progresses (e.g., to accommodate bids coming in higher than the engineer's estimate or other unanticipated costs such as unexpected environmental mitigation). In such cases, any amount that remains from a partial obligation for a construction phase may be retained in the project for 90 days after bid opening, after which the unobligated portion will be returned for redistribution.

Note: This provision applies only to awards to construction phases and does not apply to any other project phases (e.g., planning, preliminary engineering/design, right-of-way, or other).

1F. Returning PSRC Funds

PSRC funds may be returned through the previously identified project tracking policies, through cost savings at time of grant completion, or on a voluntary basis by sponsors due to major project changes or delays, project cancellations, obtaining other grant funding such that PSRC funds are no longer needed, or other circumstances. The following guidelines apply to sponsors wishing to return PSRC funds:

- **Sponsors voluntarily returning funds** should provide PSRC with a letter or a memorandum signed by a responsible official (mayor, council member, commissioner, department director, etc.) signifying the return. The letter should identify the project title, TIP ID, the phase, funding source, and amount being returned, and include a short summary of the reason for the return.
- **For projects that are at risk of failing to meet the obligation deadline per PSRC's project tracking policies**, the sponsoring agency will be notified approximately three months in advance of the deadline that the removal of any remaining unobligated funds may be forthcoming. After the obligation deadline has passed, sponsors will be notified that the unobligated funds are no longer available and will be returned for redistribution.

All projects that return funds may compete for funding in subsequent project selection processes, for any phase or portion of the phase that is no longer funded.

1G. Distribution of New and Returned Funds

Contingency lists of prioritized projects are approved as part of each project selection process in case additional funds become available prior to the next process. New funds, defined as additional funds to the region from higher than estimated allocations or other sources, and returned funds, as defined in Section 1F, will be distributed to either the adopted contingency list in effect at the time, or applied to the next project selection process. Additional set-aside funding is not provided during these distributions, but returned funds may be directed to set-asides based on each county's adopted processes. However, when a supplemental funding action is required to meet an annual delivery target, the standard contingency process may not be applicable.

1H. Annual Delivery Targets

PSRC's project tracking program for FHWA funds has evolved over the years to ensure successful delivery of projects, by addressing issues of delayed projects and the potential risk of losing unused funding. This evolution has included responding to the annual delivery target requirement begun in 2013 for all regions of the state. The annual targets are equal to the annual allocation of FHWA funds.

Under this statewide strategy, PSRC must deliver its target for its FHWA funds by August 1 of each federal fiscal year or a portion of the funds may be lost through redistribution to other regions. Delivery is defined as complete and accurate obligation packages submitted to WSDOT by August 1, to allow processing time for obligation by the end of the federal fiscal year, September 30. The June 1 obligation deadlines and processes identified in the sections above are designed to assist the region in achieving these annual delivery targets by the state deadline.

1I. Rebalancing and Supplemental Funding Actions

As previously discussed, the Regional TIP must be fiscally constrained by year. The following procedures will apply when there are not enough projects able to deliver in the current fiscal year, and additional measures need to be taken in order to meet the required annual delivery target for PSRC's FHWA funds.

The overarching guiding principles are to work within the established procedures for project selection and project tracking, to the extent feasible. This means:

- Achieving delivery with a neutral impact on overall PSRC funds is preferred (i.e., no net change to funding totals in the TIP); and
- Adhering to existing policies and procedures to the extent possible, including principles of geographic balance and respect for the original project selection process in terms of how awards were granted and prioritized contingency lists adopted.

Annual Rebalancing Process

Due to obligation deadline extensions, returned funds, or other circumstances, if there is not enough remaining programming to achieve the delivery target in a given year, the following measures will be applied, ***in priority order***, up to the point that sufficient FHWA funds have been programmed to achieve the current year delivery targets.

1. **Advance projects from later years of the TIP.**

   Sponsors of projects with PSRC's FHWA funds in the later years of the TIP will be asked if they are willing and able to advance to the current year and obligate by the deadline. PSRC will review project milestones to confirm the feasibility of this advancement.

   The rebalancing process is designed to fill any gaps to achieving the annual delivery target for each given year. As such, PSRC works closely with all project sponsors to gather information on timelines and delivery potential, and to identify projects that can advance to an earlier year. In any given year, when there is no such gap and

there is enough funding programmed to achieve the target, projects originally programmed in that year are given first priority for obligation authority. WSDOT has an Advanced Construction policy that allows projects in later years to be authorized earlier using non-federal funds, to be converted when new obligation authority becomes available.

2. **Exchange federal funds for local or state funds between phases or stages of a single project, or between projects within the same agency.**

   If there are not enough projects able to advance to the current year to meet the delivery target, sponsors of projects with PSRC's FHWA funds in both the current year and later years of the TIP will be asked if they are willing and able to perform an exchange of future-year federal funds with an equal amount of current-year local funds in a different project or phase, with the goal of obligating more federal funds in the current year but keeping all projects whole with the exchange. PSRC will review project milestones and budgets to confirm the feasibility of this exchange, and to ensure this is a viable option that will:

   a. help with delivery,
   b. do no harm to either the donor or receiving project(s), and
   c. remain consistent with the project scopes and schedules as originally awarded.

   Projects that exchange federal funds for local funds will still be subject to PSRC's project tracking policies (i.e., progress reporting and monitoring) and will not be allowed to reapply for PSRC funding for that phase. In addition, monitoring will occur of any changes or cancellations to any de-federalized projects, for future review and discussion.

3. **Increase the federal share of awarded projects.**

   If there remains a gap to meeting the delivery target after measures 1 and 2 have been implemented, then all projects that are able to deliver in the current year will be eligible for an increase to the existing federal award amount as a supplemental funding action. The amount will be determined based on the remaining delivery gap, by funding source.

   a. An equal amount of federal funding increase will be applied to all eligible projects, to reach a pre-determined amount based on the delivery need. The amount will be no more than the maximum federal share allowable for any project. Once a project reaches its maximum allowable federal share, any remaining funds will be uniformly distributed to the other projects that still have capacity to accept additional federal funds, until the total additional

funds have been awarded. If this does not yield enough to meet the delivery gap, projects from previous years will be reviewed.

b. Projects participating in measure 2 that achieve the maximum federal share due to the exchange may select a project from the previous year to apply the increase, in the amount that would otherwise have been eligible.

The capacity of a project to receive increased federal share is calculated based on its estimated cost at the time of funding award. Increased phase cost estimates are eligible for consideration of increased federal shares within the following limits:

- Only projects with delivery in the current fiscal year are considered.
- An updated construction cost estimate submitted for consideration will need to be stamped and signed by a licensed engineer. For other phases, appropriate documentation specific to the details of the phase cost—e.g., a letter signed by a licensed engineer, right-of-way plan, or other relevant document—will be required. The reason for the cost estimate increase must also be provided.
- The cost increase will only be considered as applied to the scope of work as awarded; added scope elements are not eligible for supplemental award.
- Financial documentation must be provided showing sufficient local funds to cover the full amount of the cost increase are either secured or can be reasonably expected.
- Any additional funds awarded, over and above the standard procedures for increased federal shares, will be capped up to a limit of 20% over the cost estimate at the time of award, or $750,000, whichever is smaller.

4. Fund immediately ready to go projects from the current adopted contingency lists.

If measures 1 through 3 do not result in sufficient funding to meet the annual delivery targets, PSRC will survey sponsors of every project on the adopted contingency lists for the ability to obligate by mid-July of the current year, to meet the state's August 1 deadline. PSRC will review every project's milestones to confirm the feasibility of obligating by the deadline.

As feasible, PSRC will apply geographic balance and balance by recommending forum:

a. if more projects are available to obligate than necessary to meet the delivery target, the funds will be split among forums in similar proportion to the splits for project selection (to the extent feasible based on the number and size of eligible projects), and projects will be selected in rank order.

b. if all available, immediately-ready-to-go projects are needed to meet the delivery target, then geographic balance will simply be incorporated into the standard analysis over time.

5. **Award new funds to new projects, outside of the standard PSRC project selection process.**

   If implementation of measures 1 through 4 above are still not enough to meet the current year's delivery target, PSRC will solicit new projects for a supplemental funding action that are able to readily accept federal funds for immediate use. The likely types of projects will be those that are ongoing in nature, such as bus purchases, transportation demand management activities, maintenance and preservation, or projects that are more operational in nature. Another category may be very large capital construction projects that have other federal funds and can easily absorb additional federal funds.

   Due to the short turnaround time available for this exercise, PSRC staff would identify a small number of likely candidates and reach out to potential sponsors for immediate delivery, with input from the Chairs Group.

Of these five strategies, measures 1 and 2 involve already-awarded funds and are processed administratively by PSRC. Measures 3 through 5 involve supplemental funding actions and are subject to PSRC board approval.

Emergency Measure for Late-Year Delivery Gap

In the case it is determined late in the fiscal year—after the annual TIP rebalancing process has been completed—that a project will be unable to achieve obligation and thus will be required to return the awarded funds and add to the current year delivery gap, PSRC staff is authorized to administratively redistribute those funds to eligible projects with current year delivery. In this circumstance, the returned funds will be redistributed by applying Increased Federal Share to a project, or projects, that have ability and capacity to immediately receive the additional federal funds while still maintaining their minimum non-federal match requirements.

1J. Exceptions

At times there may be issues facing a project that require an exception to the policies as described above. Requests for such an exception will be evaluated on a case-by-case basis, but any exception granted must result in circumstances consistent with the overarching goals of the project tracking program – i.e. project delays and increased costs are reduced, projects are delivered in a timely manner, and the exception is processed in a fair and equitable manner. Therefore, short-term time extensions and/or the movement of funds between phases will be considered under certain circumstances as defined below.

Depending on the request, exceptions will be processed administratively or require approval by PSRC boards.

Exceptions that will be Considered

1. Administrative Exceptions

   The following circumstances will be allowed to occur without an exception needing to be approved, as long as the applicable project phases remain fully funded:

   a. The transfer of PSRC funds between phases at the time of grant closeout; and/or

   b. The transfer of PSRC funds between any phases below the threshold of $100,000.

2. Exceptions Requiring Board Approval

   Short-term time extensions and/or the movement of funds between phases above $100,000 will be considered by the board if the following three parameters are met:

   a. The phase(s) involved in the exception request remain fully funded;

   b. The applicable phase can be implemented within six months of PSRC Board action;[4] and

   c. There is a compelling need for the exception.

      i. Examples of a compelling need include a funding gap which the transfer will fill, or significance of opportunity lost if the exception is not granted (i.e., there is a risk of losing other non-PSRC funding if not granted or there would be a significant impact on the timing of completion and coordination with other projects).

      ii. The transfer of funds to reduce the local match commitment provided in the competitive project selection process is not considered a compelling need.

Exceptions that will not be Considered

The following requests will not be considered for an exception to the project tracking policies, unless deemed necessary as part of a rebalancing and/or supplemental funding action process:

1. Scope changes
2. Transfer of PSRC funds from one project to another
3. Additional time to pursue funding for cost overruns

[4] Appeal may be made to the board a longer extension, if warranted by special circumstances and as long as delivery will still occur in the same fiscal year.

4. De-federalizing (i.e. swapping PSRC funds for local and/or state funds with the intent of de-federalizing the project)

Review and Approval Process

PSRC staff will review all exception requests in coordination with the Chairs Group and prepare a recommendation to PSRC's Boards. Sponsors applying for an exception will be made aware of when their request will be reviewed and will have an opportunity to answer any questions the group may have. In the event a consensus cannot be reached among this group, exception requests will be reviewed by RPEC for a final recommendation. All exception requests will be provided to PSRC's Boards for final action.

1K. Hardship Policy / Requests for Additional Funding

At times the board receives requests for additional funding due to emergent situations. The only time these requests may be considered are during contingency or other supplemental funding opportunities. Requests will be evaluated by RPEC to determine if the need is a true emergency and if so, what offsets might be appropriate for future funding competitions.

The definition of "emergency" will be applied as follows:

The need is due to a situation that was unpredictable and for which the sponsoring agency could not have planned; AND,

- The facility / project has been impacted by a natural disaster or catastrophic event; or
- The facility / project is experiencing a major safety issue; or
- There are or will be significant impacts to the regional system and/or local population / employment centers if the need is not addressed.

The existence of a funding shortfall by itself is not considered to meet the threshold of an emergency under these policies.

Should the request be approved, any subsequent offsets to future funding competitions will be considered on a sliding scale basis. RPEC will evaluate each request and include this provision in a recommendation to the Transportation Policy Board.

Any limitations on future funding competitions that may be placed on the requesting agency will take into consideration the following:

- The size of the emergency funding request;
- The level of effort by the agency to fill the funding gap; and

- The funding caps placed on award amounts as adopted in the *Policy Framework for PSRC's Federal Funds.*

If the emergency is due to a disaster (natural or human caused), no limitations on future funding competitions will be placed. Requests for emergency funding that are due to natural disasters or catastrophic events need not be tied to projects that have already been awarded PSRC funds or been placed on a PSRC contingency list. However, requests that are due to other, "non-event," types of situations should be limited to those projects that have been evaluated in a previous PSRC funding competition.

RPEC will review each request taking the above factors into consideration when preparing a recommendation to the Transportation Policy Board.

1L. Project Monitoring

There are no current PSRC policies for monitoring the expenditures of PSRC's FHWA funds after they have been obligated. However, FHWA requires WSDOT to conduct a quarterly review of local agency projects with federal funds for which no expenditures have been billed during the past 12 months, referred to as "inactive" projects. In the last several years, these requirements have been more rigorously enforced, and sponsors of inactive projects risk losing their federal funding. Sponsors are expected to submit bills for reimbursement on a monthly basis, and WSDOT proactively reaches out to sponsors of projects with no billing activity within 9 months, to encourage billing progress and the avoidance of being deemed inactive. Inactive projects are required to submit detailed documentation and justification to FHWA or risk the project being closed and federal funds repaid.

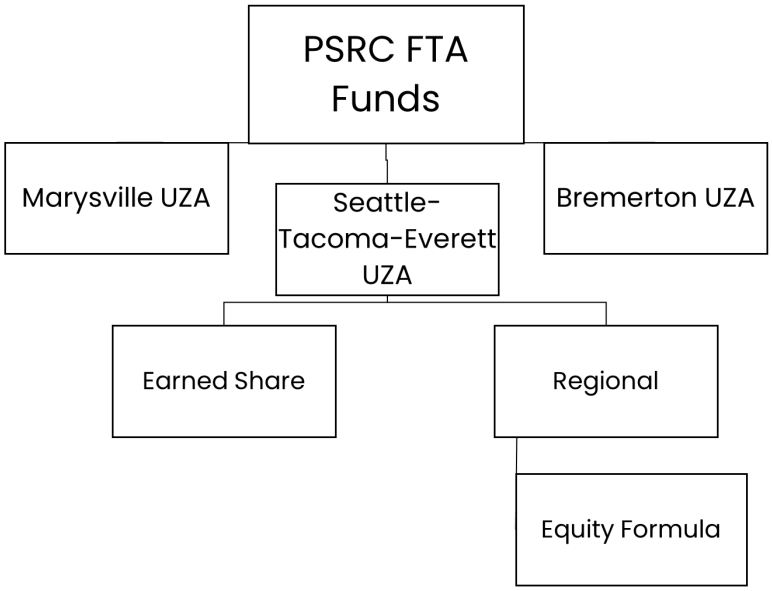
PSRC will assist with this monitoring through the twice-yearly Project Progress Report form, and ongoing communication and education to project sponsors. Sponsors should be aware of billing procedures and expectations for projects with obligated federal funds, as well as the circumstances that lead to projects being deemed inactive by FHWA. For more information, sponsors should refer to Chapter 23 of the Washington State Local Agency Guideline (LAG) Manual at: https://wsdot.wa.gov/business-wsdot/support-local-programs/delivering-your-project/local-agency-guidelines-lag-manual and/or contact the WSDOT Local Programs Engineer for their region.

Section 2: FTA Funding Policies

PSRC has primary responsibility for project selection and distribution of the following Federal Transit Administration funding programs:

- Urbanized Area Formula (Section 5307)
- State of Good Repair - High Intensity Fixed Guideway (Section 5337)
- State of Good Repair - High Intensity Motor Bus (Section 5337)
- Bus and Bus Facilities (Section 5339)

PSRC's FTA Funding Process Overview



2A. General FTA Funding Policies and Requirements

Funding recommendations for PSRC's FTA funds are based on the requirements of federal law, guidance from adopted regional and local plans, and the Policy Framework for PSRC's Federal Funds adopted prior to each PSRC project selection process. All recommendations related to FTA funding are first reviewed and recommended by PSRC's Transportation Operators Committee (TOC) to the Transportation Policy Board. The Transportation Policy Board then recommends final approval by the Executive Board.

PSRC's FTA Project Selection Process

Projects that receive PSRC's FTA funds are selected through a process coordinated with FTA and the public transit agencies in the region, as further described in the adopted *Policy*

Framework for PSRC's Federal Funds. The process splits the available FTA funds between an Earned Share process and a Regional process.

The **Earned Share** funding amounts are based on the service and operating characteristics of the agencies in the region's three urbanized areas (UZAs): Bremerton, Marysville, and Seattle-Tacoma-Everett (STE). These funds are distributed to each public transit agency based on their earnings. Per adopted regional policy, three agencies external to the STE UZA are also able to access the FTA funds earned from service they provide to the area.

The remaining FTA funds come to the region based on regional attributes, such as population density. This portion of the funds is distributed within the STE UZA through the **Equity Formula**. Adopted in 2023, the Equity Formula uses a focused and intentional methodology that identifies all transit services being provided to the region's equity focus populations and distributes funds accordingly.

Since the Equity Formula funds are sourced from the Regional portion of funding, the project tracking policies for these funds follow long-standing policies and procedures for Regional FTA funds. Per board direction, as Regional funds there is greater accountability and expectations for Equity Formula projects.

General FTA Project Tracking Requirements

Regional policies related to the tracking of projects awarded PSRC's FTA funds are described in the next two sections, for Earned Share funds and for Equity Formula funds. This section summarizes policies and procedures followed by FTA to monitor and track project progress.

All FTA funds have an FTA-designated lapse date based on their appropriation year and funding source. If funds are not obligated by their lapse date, FTA will redistribute them to another region. PSRC regularly monitors all FTA funds and coordinates with FTA staff to ensure they do not become at risk of lapsing.

There are no current PSRC policies for monitoring the expenditures of PSRC's FTA funds that have already obligated. However, FTA expects projects to be completed within a reasonable, specified time and as scheduled in the grant award agreement and updated in progress reports.

If awards were obligated more than three years before and have not had a disbursement within the past twelve months, then FTA will identify them for potential close out. Awards that have been inactive for a substantial length of time may also be identified for close out unless the recipient is likely to resume activity soon. If an award has been delayed for a substantial period of time and the recipient does not have a reasonable explanation, the project may be at risk of losing their federal funding.

PSRC will assist FTA Region 10 staff with this monitoring through the Project Progress Report form, and ongoing communication with project sponsors. Sponsors should be aware of procedures and expectations for projects with obligated funds, as well as the circumstances that lead to projects being deemed inactive by FTA. For more information, see Chapter 3 of the FTA's Contractors Manual Fiscal Year 2023.

2B. Earned Share Funding Policies

Earned Share funds follow all requirements of federal law and guidance from adopted regional and local plans. The TOC reviews all funding recommendations for Earned Share funds and makes recommendations to the Boards for final approval.

Earned Share Obligations

Project sponsors are required to designate an estimated obligation date from within the current TIP for each project phase with Earned Share funds. Earned Share funds are regularly monitored to ensure they do not become at risk of lapsing. While Earned Share funds do not have the same strict obligation deadlines as Regional funds, it is PSRC policy that original estimated obligation dates are not revised, as these dates are used to track when funds were first programmed and to monitor progress.

Earned Share Annual Adjustments

On an annual basis, FTA requires that PSRC review the estimates used to program FTA funds against the actual allocations approved by Congress and make adjustments to reconcile the two amounts as necessary. Since Kitsap Transit and Community Transit are the only transit agencies operating in the Bremerton and Marysville UZAs, FTA funds within those UZAs are distributed entirely through the Earned Share process. The STE UZA Earned Share funds are distributed to transit agencies in the UZA using national FTA distribution formulas.

The FTA annual adjustments may reflect either an increase or a reduction in funding for each transit agency. Per federal requirements for full funding of any awarded phase, for any projects impacted by the adjustments, sponsors must also make at least one of the following changes:

- Update project scopes to reflect the funding increase or decrease;
- Keep the project budget constant by adding or removing funds from other sources; or
- Provide information on why no changes are necessary due to increases or decreases in project costs.

Earned Share Project Tracking

Sponsors may submit requests to redistribute funds between their Earned Share projects outside of the annual adjustments process. PSRC staff will gather the following information for each request to redistribute funds:

- Need to redistribute funds between projects;
- Impact of the redistribution on project programming and budgets; and
- Impact of the funding changes on the project scopes.

Regarding requests to change project scopes, PSRC's FTA funds are awarded to projects with the expectation they will be completed as originally described and scheduled. Funded projects were evaluated and underwent a public review and comment period based upon the scope of work they submitted at the time of their grant application. Any requests to change a project's description must therefore be reviewed and approved in advance by PSRC staff to ensure that the modified description is consistent with the project's original scope, purpose, intent, and/or utility.

PSRC staff will present all requested changes to project funding or scopes to TOC for recommendation. If the request is to redistribute funds to a new project or to a substantially change a project from the original public process, then a new public review process will be required.

2C. Equity Formula Funding Policies

Because Equity Formula funds are sourced from the Regional portion of funds, and based on the original purpose and intent of this distribution process as determined by PSRC's boards, there are more rigorous policies and procedures for these funds that are distinct from those for Earned Share funds.

At times there may be issues facing a project that require an exception to the policies, as further detailed in the following sections. Requests for any exception will be evaluated on a case-by-case basis, but any exception granted must result in circumstances consistent with the overarching goals of the project tracking program – i.e., project delays and increased costs are reduced, projects are delivered in a timely manner, and the exception is processed in a fair and equitable manner. Depending on the request, exceptions will be processed administratively or require approval by PSRC's Boards.

As part of implementing these policies, PSRC will compile examples of requested exceptions that have received approval and add these examples to a future administrative addendum of this document.

Equity Formula Programming Requirements

Per PSRC's policies for Regional funds as well as the overall purpose and intent of the Equity Formula program - and distinct from the Earned Share policies - Equity Formula funds may not be awarded to phases that have already been awarded PSRC's federal funds. Additional funds to a previously awarded phase would only be considered if the funds will implement new or additional scope beyond the original award. This policy is also consistent with the federal and state rules and expectations that when phases are programmed the grant funding and any other identified sources are adequate to fully fund the phase.

Exceptions to this may be considered to add Equity Formula funds to previously funded project phases if it will allow the project to be delivered faster or more efficiently. For example, by accelerating the project schedule, reducing project costs, etc. These requests will be evaluated on a case-by-case basis, and sponsors must provide detailed information on how these parameters will be met.

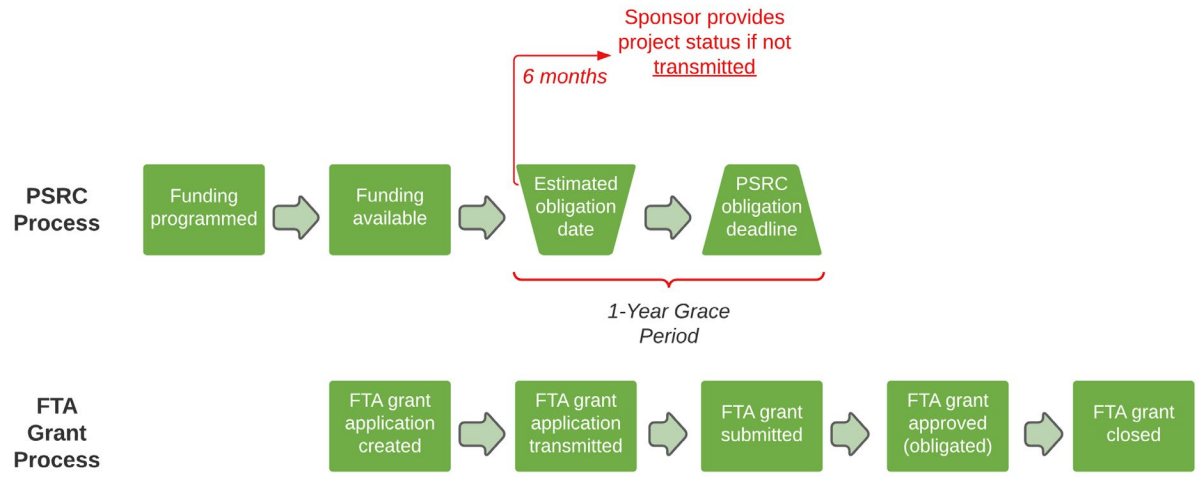
Equity Formula Obligation Deadlines

For Regional FTA funds, which include Equity Formula funds and any previously awarded competitive and preservation set-aside funding, sponsors are awarded funds based on a specific federal fiscal year as identified and awarded in the project selection process. For TIP programming purposes and to allow maximum time for sponsors to obligate funds, the obligation deadline for all Regional funds will be September 30th of the awarded fiscal year.

Regional funds are allowed a one-year grace period beyond their estimated obligation date before funds would be required to be returned. Funds will be considered to have met their PSRC obligation deadlines once the sponsor has *transmitted* a corresponding grant application in FTA's Transit Award Management System (TrAMS). Regional FTA funds are considered delayed if they have not been transmitted by six months after their estimated obligation date, as illustrated in the graphic below.[5]

[5] After a project sponsor develops a grant application in TrAMS, the application is then "transmitted" for initial review by FTA. Once FTA completes the initial review, the sponsor can progress to formally "submit" the application for final review before being approved for funding obligation.

Equity Formula Project Tracking



PSRC staff will monitor progress of all projects and reach out to sponsors of delayed projects six months after the original estimated obligation date. Within one month of the notification from PSRC, the project sponsor is expected to provide further information on the status of the project, the reasons for the delay, their work with the FTA on advancing the application and any project work already ongoing under pre-award authority. If the sponsor does not respond with this information by the deadline, the funds would then be at risk of being returned to the region.

PSRC staff will review information received on delayed projects and then consult with the TOC and FTA to determine if an extension is warranted based on whether the delay was considered "reasonable" or "unreasonable." The primary consideration in determining whether or not a delay would be considered reasonable is whether the delay is due to factors outside of the sponsor's control. Regardless of the reason for delay, the sponsor is expected to demonstrate that they have been putting in effort to progress their application through the grant process in TrAMS.

Reasonable delays may include processing delays by FTA or other resource agencies, e.g. NEPA approval; new FTA requirements, expectations or interpretations; and project delays due to working with partner agencies or the community.

Unreasonable delays may include significant changes to scope, shifting priorities within the agency, insufficient funding, and work that was not begun in a reasonable time to meet the obligation deadline.

For delays due to emergent situations, the TOC will make evaluations on a case-by-case basis to determine if the delay is due to a true emergency. The definition of "emergency" will be applied as follows:

- The need is due to a situation that was unpredictable and for which the sponsoring agency could not have planned; AND
- The facility/project has been impacted by a natural disaster or catastrophic event; or
- The facility/project is experiencing a major safety issue; or
- There are or will be significant impacts to the regional system and/or local population/employment centers if the need is not addressed.

For reasonable delays, the TOC will determine next steps on a case-by-case basis. Next steps could include setting the next check-in date for the project and/or revising the obligation schedule for the funds and recommending a one-time obligation date extension.

For unreasonable delays, an extension will not be granted and the funds must be obligated by the end of the one-year grace period or be returned.

For both reasonable and unreasonable delays, if the sponsor does not submit the grant application by the original or extended deadline, then they would be required to return the funds to the region. Returned funds from projects that did not meet their deadlines will be redistributed to other projects.

Equity Formula Scope Changes

Projects are reviewed for consistency with the purpose and intent of the Equity Formula program and the established equity criteria, and are released for public review and comment. As such, the expectation is that phases and scopes will be delivered as originally programmed.

Once Equity Formula funds are awarded:

- Funds cannot be moved between projects;
- Funds cannot be moved between phases within a project;
- The scope of projects as originally awarded Equity Formula funds may not be substantively changed.

Requests for scope changes will be reviewed and approved in advance by PSRC staff to ensure that the modified description is consistent with the project's original scope, purpose, intent, and/or utility.

Exceptions to these rules may be considered on a case-by-case basis, and in general must demonstrate a compelling need for the deviation, including:

- circumstances by which projects may be delivered faster or revisions needed due to community outreach with affected equity focus populations;

- circumstances outside the agency's control that require a change in project implementation, as long as those changes serve an equity focus population to the same degree.

Any proposed substantive changes to existing Equity Formula projects would need to be reviewed by PSRC staff, the TOC, and ultimately the Boards per existing rules.

Equity Formula Annual Adjustments

For the FTA annual adjustments process, any increase in the Regional portion of funds will be distributed proportionately to eligible agencies using the Equity Formula. Agencies will then use the funds for new Equity Formula projects or for additional work on existing Equity Formula projects. For additional work on an existing project, agencies must also revise the project scope to clearly demonstrate how the Equity Formula funds being added will be used for supplementary scope elements . For both new and expanded projects, agencies are required to provide information in response to the established equity criteria, and the projects will be reviewed by the TOC to ensure they are consistent with the Equity Formula distribution policies.

In some instances, transit agencies may receive modest amounts of additional funds that they are unable to utilize to fully fund a new project phase. In these cases, the TOC could consider an exception to allow the agencies to instead increase the federal share of an existing Equity Formula project.

If PSRC receives a reduction in regional funds, the reduction will be applied to each agency proportional to their share of the Equity Formula funds, and existing Equity Formula projects identified for the reduction.

Returning Regional FTA Funds

PSRC's FTA funds may be returned through the previously identified project tracking policies, through cost savings at time of grant completion, or on a voluntary basis by sponsors due to project cancellations, the obtaining of other grant funding such that PSRC funds are no longer required, or other circumstances. The following guidelines are identified for sponsors wishing to return FTA funds:

a. Sponsors voluntarily returning funds should provide PSRC with a letter or a memorandum signed by a responsible official (mayor, council member, commissioner, department director, etc.) requesting the return. The letter should identify the project from which the funds are being returned, the funding source and amount being returned, and a summary of the reason for the return.

b. For projects that do not meet their obligation deadlines per PSRC's project tracking policies, sponsors will be notified that the unobligated funds are no longer available and will be returned for redistribution. All projects that return funds may

be awarded funding during the next or subsequent project selection processes, for any phase or portion of the phase that is no longer funded.

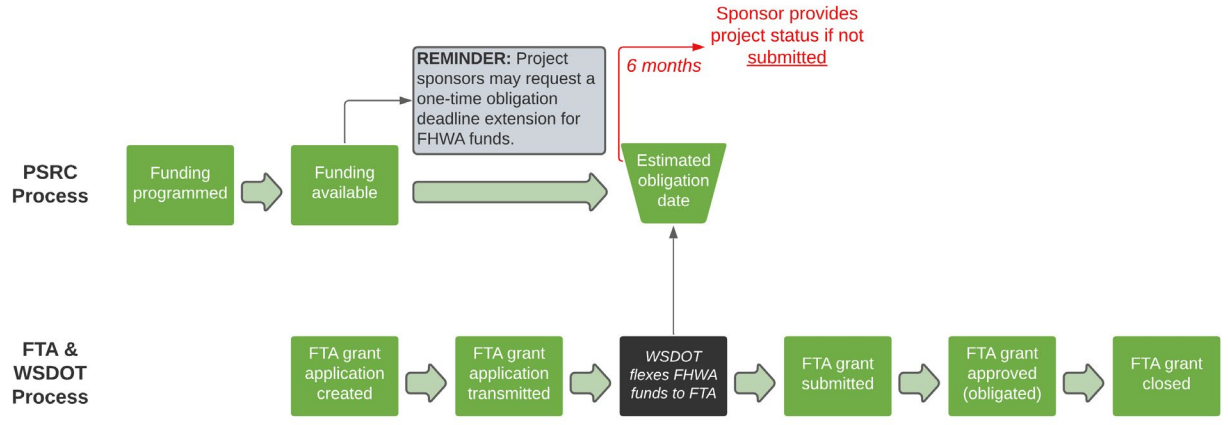
c. Sponsors of projects returning funds should then work with FTA Region 10 and PSRC on the proper processing of returned funds.

Sponsors returning Equity Formula funds would first have the opportunity to reprogram the funds to a new Equity Formula project(s) or for additional work on an existing Equity Formula project. If sponsors are not able to utilize the funds, they would then be proportionately redistributed to other eligible sponsors through either a stand-alone process or as part of the next project selection process. This redistribution would follow the same procedures as previously described for additional FTA regional funds from the annual adjustments process, including the exception for increasing the federal share of projects in some instances.

2D. Flexed FHWA Funding Policies

Transit agencies can "flex" their FHWA-funded projects to be managed by the FTA if approved by WSDOT. Projects awarded PSRC's FHWA funds have strict obligation deadlines by June 1 of the designated federal fiscal year. Sponsors have met PSRC's FHWA obligation requirements when the funds have been flexed to FTA. However, it is expected that projects are ready to obligate once they have been flexed, and that once flexed they will still be accomplishing the project under the originally awarded scope and funding amount from the FHWA competitive process.

Flexed FHWA funds will be considered as having met the PSRC obligation deadlines for FTA funds once the sponsor has *submitted* a corresponding grant application in TrAMS. Flexed FHWA funds are considered delayed if they have not been submitted by six months after their estimated obligation date, as illustrated in the graphic below.



The procedures for delayed flexed FHWA funds are the same as procedures for delayed FTA regional funds. For reasonable delays, the TOC will determine next steps on a case-by-case basis. For unreasonable delays, the TOC will set a hard deadline for submitting the grant application, not to exceed one year after the original June 1st estimated obligation date for the funds. The length of any obligation date extension may not exceed the four-year time span of the current Regional Transportation Improvement Program.

For both reasonable and unreasonable delays, if the sponsor does not submit the grant application by the original or extended deadline, then they would be required to return the funds to the region. Returned flexed FHWA funds from projects that did not meet their deadlines will be redistributed to other projects per PSRC's adopted FHWA policies. Because FHWA funds cannot be returned to FHWA once flexed, PSRC will work with FTA to redistribute these funds to another flexed FHWA project.

Section 3. Project Progress Reports

All project sponsors must submit status reports to PSRC that identify actual and/or expected progress of their projects. These progress reports – for all PSRC funded projects – are to be completed by sponsors twice a year at the request of PSRC staff and used to track the progress of individual projects. In addition, the reports serve to monitor the region's overall progress towards achieving its annual FHWA delivery expectations. Requests will coincide with the timing associated with PSRC's annual delivery deadlines.

Progress reports are used to determine whether projects are on track or delayed in meeting their milestones. If a sponsor reports that the scope of work is complete and all project funds have been expended, the project will then be marked as complete and no further reports will be requested. Projects identified as operationally complete will still be considered active until they have expended all federal funds and completed their full scope of work.

Performance reports for PSRC's FHWA and FTA funds will be provided to PSRC's Transportation Policy and Executive Boards on a regular basis. These reports will summarize the region's progress at delivering transportation projects, and provide information on competitive project awards that did not meet their obligation deadline and were returned for redistribution.