Cost Overrun Policy
for Transportation Projects Selected
by the Transportation Policy Council

Historically, the Transportation Policy Council (TPC) considered cost increases to projects as they are presented on a project-by-project basis. The funding share of the approved cost increases have typically been a 50/50 share (federal/local match) or 80/20 (federal/local match). Establishing a policy for handling cost increases is needed to provide clarity to project sponsors, H-GAC staff, and the Transportation Policy Council.

Cost overruns are based on the total estimated cost of approved phases (e.g., engineering, right-of-way, and/or construction) and are evaluated once the cost of approved phases has exceeded the original TPC-approved funding. The table below provides some examples of cost increase and cost overrun considerations. As these considerations may change over time, staff will continually review requests and data gathered through meetings with project sponsors to periodically re-assess these considerations.

The table below provides the four (4) categories of cost increases/overruns. The items listed are examples and will be clarified further in the implementation guidelines.

Cost Increase/Cost Overrun Considerations	Match Policy (Federal/Match)	
	80/20	50/50
Generally unforeseeable affects many projects in the region	X	
Cost increases due to inflation (e.g., higher unit costs)	X	
Cost increases to accommodate a significant change in regulations or design standards (e.g., higher right-of-way costs as a result of new design standards)	X	
Generally unforeseeable – affects an individual project		X
Cost increases due to a change in policy by another agency		X
Cost increases due to the unique project situation or requirements		X
Generally foreseeable		X
Cost overruns associated with a change in project scope		X
Cost overruns due to general schedule delays		X
Foreseeable – not eligible for additional federal participation	-	-
Cost overruns due to errors or omissions in the original application	-	-
Costs due to local government items (e.g., water and wastewater infrastructure)	-	-
Costs due to delays that are the responsibility of the project sponsor	-	-

<u>Generally Unforeseeable – affects many projects in the region</u>

Cost increases that are needed for generally unforeseeable circumstances and affecting all projects in the region will be considered at an 80/20 federal/match funding share. This can include major project development standard changes (such as the Atlas 14 stormwater management requirements) that have been enacted since the project funding commitment was approved by the TPC, significant unanticipated increased inflation, or other factors as identified by staff, the TAC or the TPC.

For overruns of this type to be considered, TAC and the TPC will identify the potential condition creating an unforeseeable cost increase that affected all projects in the region. After a thorough review, analysis, and discussion by the TAC and TPC, a determination may be made that a onetime adjustment should be allowed for affected projects, the TPC may then issue a onetime adjustment window to address the exigent situation where the increase will be considered at an 80/20 (federal/local) basis. Opportunities to submit updated costs estimates will be provided for agencies that cannot provide cost estimates during the adjustment period. The implementation guidelines will describe how these types of increases are applied to projects and their costs.

Generally unforeseeable – affects an individual project
Cost increases that are due to generally unforeseeable circumstances that affect an individual project and cost overruns that are generally foreseeable may be considered on a case-by-case basis at a 50/50 (federal/local) funding share.

Generally foreseeable
Cost overruns associated with changes to project scope or general scheduling delays will be considered at a 50/50 funding share.

Foreseeable – not eligible for additional federal participation
Foreseeable cost overruns that are due to errors or omissions in the original application or other foreseeable situations will not be considered for additional federal participation using TPC directed funds.

All cost increases/overruns that are considered for additional funding will be required to follow the process identified in the implementation guidelines to include the provision of supporting documentation. A complete analysis of the requests including a review of the project funding history will be completed by H-GAC staff prior to providing recommendations to the TAC or TPC.

No recommendations for funding increases will be brought forward through the TAC/TPC TIP amendment process until the required documentation and analysis process as detailed in the policy implementation guidelines is complete. The implementation policy will provide a process for reviewing any and all requests to confirm that in all cases, projects remain consistent with their original purpose and benefit which led to their initial selection by the TPC.

Implementation Process

H-GAC staff will prepare guidelines to implement this policy with the TIP Subcommittee and TAC. Once the guidelines are approved by the TAC, they will be brought to the TPC for final review and approval.