

III. Funding Fundamentals

This section gives an overview of Maryland’s TEP funding procedures. Please note that the TEP is a **federal reimbursement funding program**, not a grant program.

How do eligible projects receive TEP funding?

Project sponsors must first establish if the proposed project would be eligible for TEP funding by determining its qualifying category and its relationship to surface transportation. If the project is eligible, the project sponsor should prepare and submit a TEP application. The estimated costs as presented in the “Project Costs” section of the TEP application will serve as the most significant request for funding. Potential project sponsors should not assume that there will be additional TEP funding available if the initial funding request is inadequate. Therefore, it is important to understand all the TEP funding criteria prior to completing the application.

Reimbursable Requests

In Maryland, TEP funding can be requested for **up to half** of a project’s total estimated cost, as presented in the application. Funding can be requested for a maximum of 80% of a project’s **reimbursable** costs, provided it does not exceed half of the project’s total estimated costs. In other words, **the TEP will not fund more than half of a project’s total costs or more than 80 percent of its reimbursable costs**. The project sponsor is required to fund the balance, which is called the match. Because the TEP is a reimbursable program, **the project sponsor must pay for project costs before submitting a request for reimbursement of eligible activities**.

For all TEP projects involving construction, project sponsors can only be reimbursed for project expenses spent for construction or construction-related aspects of a project. Any associated design, right-of-way acquisitions, or project planning costs will not be reimbursed. Some examples of reimbursable construction project costs are:

- Construction management
- Soil disturbances (clearing, grubbing, excavation, etc.)
- Foundations
- Construction building materials (installed)
- Inspection and materials testing
- Construction stakeout
- Maintenance of traffic and traffic management

- Utilities relocation
- Erosion and sediment control
- Fencing and guardrails
- Paving
- Electrical
- Painting
- Landscaping
- Interior hardware
- Labor
- Contingency fees on construction-related items

Only construction expenses that **directly relate** to eligible TEP activities are eligible for TEP funding. For example, if the general scope of a project is a major rehabilitation of a visitor’s center, the cost of constructing restrooms in the visitor’s center would directly relate to the project. The cost of a required stormwater management pond would also be related. However, the cost of constructing an area to be used for a coffee shop would not.

Several categories of TEP projects would not require construction. Therefore, project sponsors will be reimbursed for project activities specific to the category. For example, projects in the “Provision of Safety and Educational Activities for Pedestrians and Bicycles” category would be eligible for reimbursement for the development of programs or promotional materials, rental fees for equipment or locations, and staffing needs. Projects in the “Acquisition of Scenic Easements and Scenic or Historic Sites” category would be eligible for reimbursement for right-of-way acquisition costs. Likewise, costs associated with archeological research and billboard removal will be considered for reimbursement depending on the qualifying category of the project.

Project sponsors should use the descriptions in the “Qualifying TEP Categories” section in Chapter II – Transportation Enhancement Program Eligibility of this manual as a guide to determine the activities associated with each category that are eligible for TEP funding. **SHA will make the final determination of what activities are reimbursable.** For questions concerning project eligibility or reimbursable activities, project sponsors should contact the TEP Liaison (see Appendix C – Transportation Enhancement Program Contact Information).

Matching Requirements

How much match is required?

Project sponsors must provide a match of at least 50 percent of a project’s total costs. The project sponsor’s match must include a non-federal, cash match of at least 20 percent, which only applies to

the costs of reimbursable activities. Both of these criteria must be met for a project to be eligible for reimbursement. For construction projects, the project sponsor's 50 percent match may include the costs of project development, design, and right-of-way acquisition, as well as the required 20 percent non-federal, cash match for construction costs. For projects that do not involve construction, the cash match would apply to the costs of the appropriate activities eligible for funding reimbursement.

SHA refers to construction, or reimbursable, costs as hard costs and other TEP project related costs as soft costs. Therefore, the project sponsor's payment for project development, design, and other non-reimbursable activities is the soft match. The match for construction, or reimbursable, costs is referred to as both hard costs and cash match.

All match activities must be directly related to the proposed TEP project. Costs of adjacent, past, or future project activities will not be considered as match, nor will costs from a similar project or another phase of the project.

SHA allows funding from local, state, and federal agencies and accepts private, in-kind donations as contributions to the match. Donated materials or services can be used as cash match. Donated services are valued at a rate equivalent to the rate ordinarily paid for the type of work, and donated materials are valued at the market rate of the materials or supplies at the time of donation.

NOTE:
Other funding from USDOT **cannot be used as cash match** for TEP projects.

The cost of right-of way acquired for the project **within two years** prior to the TEP application submission can be considered soft match. Donated right-of-way is valued at the fair market value at the time donated.

Many construction projects have components that are not eligible for TEP reimbursement. The costs of these non-eligible components may or may not be able to use towards the project sponsor's match requirements. Typically, items that provide a useful enhancement to the project can be used as match, and things that are considered non-essential cannot. For example, costs associated with placing artistic displays along a pedestrian trail cannot be used as cash or soft match. However, the cost of adding benches along the trail may be used towards the match. This distinction is solely determined by SHA. An MOU between the project sponsor and SHA will outline the reimbursable project costs, the costs that can be used as match, and the project costs that are neither reimbursable nor considered match.

Project sponsors are responsible for all costs that exceed the estimated costs presented in the application.

Below is a summary of the proposed costs of a typical project eligible for TEP funding. The Total Project Costs for the project is \$1,350,000.

TABLE 1 – TEP FUNDING SUMMARY

Sample Project #1	
Project Development	\$50,000
Design Costs	\$100,000
Right-of-Way Acquisition Costs	\$200,000
Construction (Hard) Costs	\$1,000,000
Total Project Costs (Planning+Design+Property+Construction costs)	\$1,350,000
Maximum TEP Request** (not to exceed 50% of total Project Costs, nor 80% of the Construction Costs,)	\$675,000
Minimum Project Cash Match (20% of total Construction Costs)	\$200,000

Funding Amount Changes

Once a project is approved for funding, TEP award amounts are based on the estimated project costs presented in the application. Therefore, accurate cost estimates in the application are extremely important. **If the final, actual cost of the project is more than the amount presented in the application, the award will not automatically be increased.** All cost increases are the responsibility of the project sponsor.

Will the TEP funding increase if actual project costs exceed cost estimates?

Project sponsors may **request additional TEP funding** after the original TEP award is given and **before the project is awarded to a contractor.** SHA will consider increases up to an additional 10 percent above the original award amount. Requests for amount increases over 10 percent will require TEP Technical and Executive Committee approval. The project sponsor must present a written, clear, and reasonable justification for additional funding. Funding increases are discouraged. SHA will not consider award changes for costs increases that occur after the start of construction.

Although the amount of the TEP award does not increase if the construction costs increase, the amount of cash match must adjust accordingly. The project sponsor must provide a cash match of at least 20 percent of the actual construction costs, regardless of the cash match identified in the original TEP application and the MOU.

If the actual final cost of the TEP project is less than the estimated project costs outlined in the application, the TEP award amount will decrease proportionally. For example, the project in Table 1 – TEP Funding Summary showed the total project costs as \$1,350,000 and the maximum TEP request and award was \$675,000. However, if the actual project costs turned out to be \$1,080,000, which is 80 percent of the project costs presented in the application. The final TEP award amount would be reduced to \$540,000, which is 80 percent of the original award.

Please Note: After a proposed project is approved for TEP funding, significant project schedule changes or scope changes are strongly discouraged as they may result in project funds being withdrawn. If withdrawal is determined appropriate, the project sponsor can resubmit an application during a subsequent program cycle.

After a TEP project is accepted and approved, **SHA will work with all project sponsors** to ensure that they receive the **full amount of funding awarded!**

