



Land Use & Natural Resources Committee

Item # 15-8-8 Information

August 4, 2015

Regional Funding Program Targets in 2015

Issue: How should the SACOG Board address the possible reduction in State Transportation Improvement Funds, as announced by the State, within the SACOG four-county Flexible Funding Round?

Recommendation: None, this is for information only.

Discussion: In February of 2015 the Board of Equalization voted to lower the statewide price based excise tax by six cents from 18 cents to 12 cents per gallon, representing a 30 percent decrease. This change directly impacts transportation in that revenues collected from fuel taxes are a primary source of funding for the State Transportation Improvement Program (STIP). This is a source of funds that SACOG programs during its four-county competitive Flexible Funding Round in combination with other available federal funds. Funding estimates for the STIP are developed by Caltrans and acted upon by the California Transportation Commission (CTC). The reduction in statewide available STIP funding could result in a \$38 million reduction in available competitive funds for the 2016 Flexible Funding Round. The competitive Active Transportation Program is funded through a separate set of revenues and remains unaffected by the fuel tax reduction.

The Flexible Funding Round is one of SACOG's means for funding and advancing projects that contribute to the implementation the Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS) through a well-developed program funding structure and targeted investments in the region's transportation system. SACOG released its call for project in April 2015 for the following:

- The *Bicycle & Pedestrian Program*: which is intended to support the efforts of local agencies to construct infrastructure with walking, bicycling, and transit use as primary transportation considerations, and to provide facilities for walking and biking within and between the communities of the Sacramento region.
- The *Community Design Program*: which seeks to promote the implementation of the regional Blueprint principles through the construction of improvements in the public right-of-way.
- The *Regional/Local Program*: which promote projects that provide regional benefits and that develop and maintain the regional transportation network.

When developing the fund estimate for this current call for project staff used the latest information available at the time and identified an estimated \$145 million in this cycle to fund various projects as well as other funding commitments. These funding commitments include transportation control measures to the region's ozone air quality plan, formally called the Ozone Statewide Implementation Plan (SIP). Also included in the funding commitments are the Regional Surface Transportation Program Exchange for rural counties, and planning, programming, and monitoring costs. At the low end, after accounting for the various set asides and other commitments, an estimated target range was made available with the low end at \$126 million.

At the end of June, the CTC released its statewide draft estimate of available STIP and in late July released draft regional targets. For the draft 2016 STIP fund estimate, there is only \$46 million identified statewide in new capacity and regional targets are proposed at zero. By comparison, in 2014, the STIP included \$1.2 billion in new funding capacity statewide over the five year fund estimate period. The CTC will take action on the final estimate in August or will vote to delay, likely until October, if it appears that new information will be coming out of the legislature's special session. The impact on SACOG is that, pending any new information from the special session, there will be little to no STIP funds to program for new projects in the 2015 funding round. Without a strategy to backfill this shortfall, the overall impact to the 2016 Flexible Funding Round could be a reduction from \$126 million in available competitive funds to roughly \$88 million.

SACOG Available Sources

The Flexible Funding estimate includes the following sources and changes:

- State Transportation Improvement Program (STIP) funds: these funds can be used for a wide variety of capital projects and have been focused on Regional/Local Program projects in the region. The new STIP is between state fiscal years 2016/17 through 2020/21, with any new capacity anticipated in the last two years of the STIP (State Fiscal Years 2019/20 and 2020/21). At the release of the SACOG call for projects, there was uncertainty concerning the amount of STIP funds available for programming. Staff assumed a flat estimate based upon prior apportionment shares of \$38 million in new capacity (after set-asides) plus approximately \$22 million of reprogramming.
- Federal Regional Surface Transportation Program (RSTP) funds are available in Federal Fiscal Year (FFY) 2017/18 through 2018/19 for a wide variety of capital projects, programs, and road rehabilitation on federal aid-eligible corridors. Staff assumes a flat estimate based upon prior apportionment shares developed by Caltrans. Estimates are not finalized until the actual year of programming and are influenced by the federal transportation authorization act. This source of funds is assumed at \$41.4 million for the 2016 funding round.
- Federal Congestion Mitigation Air Quality (CMAQ) funds are available in FFY 2017/18 through 2018/19 for capital projects, programs, and transit operating assistance that can demonstrate air quality improvement benefits. Staff assumes a flat estimate based upon prior apportionment shares developed by Caltrans. Estimates are not finalized until the actual year of programming and are influenced by the federal transportation act. This source of funds is assumed at \$34.5 million for the 2016 funding round.
- The funding target includes an additional \$1 million in SACOG Managed Funds for projects to be programmed in FFY 2017/18 through 2018/19. As in past funding rounds, staff is recommending that the SACOG Managed Fund be used to fund small projects that are not eligible for or would face extreme difficulty in using federal funds through the Community Design and Bicycle & Pedestrian programs.

Potential options for the 2015 Flexible Funding Round:

While staff monitors the actions of the special session and CTC, staff would like the committee's early input on options to address the potential change in available funding for the 2015 Flexible Funding Round. Staff will return to the Board in September with more information, and possibly a recommended action if the CTC does go forward to finalize the STIP fund estimate.

In the case that no new funding comes out of the legislature's special session, SACOG can consider a number of options for handling reduced STIP funding for this round of programming.

Historically, STIP funds have primarily been used to fund projects in the SACOG Regional/Local program. As a result, the loss of STIP funds would affect this program far more significantly than SACOG's other funding programs. To lessen the potential impact on this single program an option for consideration is to reduce available funding across all competitive regional programs by approximately 30 percent to accommodate the loss of STIP funds.

Another option that would mitigate the loss of funds for this round would be to program at least a portion of a third year of federal RSTP and CMAQ apportionment, similar to the 2013 Flexible Funding Round. This option would program at least a portion of SACOG's estimated federal apportionment through FFY 2019/20. If focused on the Regional/Local program where the budget impact is the largest from the loss of STIP funds, this option would increase the amount of funding awarded to projects in this funding round, but could impact the size and timing of the next competitive funding program. It is also possible to program a third year of federal funds in the 2016 Community Design or Bicycle & Pedestrian programs, but that approach would diminish the opportunity to leverage future revenue sources that relate to these programs (eg. State ATP, Cap & Trade, and regional Air Quality & Greenhouse Gas Reduction Program).

Other options that are not mutually exclusive include a more strict enforcement of "use it or lose it" policies to free up funding from projects that have failed delivery goals from past funding rounds, supplement programs with additional SACOG managed funds, and/or create a tiered list of projects that could get priority funding if/when future STIP or other funding becomes available.

Staff is seeking input from the committee on these or any other possibilities the committee would like staff to investigate for handling the potential loss of STIP funds in the 2015 funding round. Staff will return to the committees and board in September for a recommended action on final funding targets for this round of competitive programs or with additional information if no CTC action is taken on the funding targets. The current schedule assumes the Board will take action on a final set of project recommendations in December, but pending a possible delay of the CTC's adoption of a final STIP fund estimate, this schedule could be pushed back as far as February.

Approved by:

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