



## Transportation Committee

## Item #13-5-8 Action

April 25, 2013

### SACOG Toll Credits Use Policy

**Issue:** Should SACOG extend the SACOG Toll Credit Use Policy indefinitely to align with the recently updated Caltrans policy?

**Recommendation:** That the Transportation Committee recommend that the Board (1) extend the SACOG Toll Credit Use Policies 1-5 indefinitely, making amendments as needed; and (2) consider revisiting Policy 6 as part of setting the funding targets for the 2013 Flexible Funding Round.

**Discussion:** In 2010, California Department of Transportation (Caltrans) implemented a two-year Toll Credit Use Policy demonstration program. This demonstration program was a result of Caltrans investing \$5.7 billion of toll revenue on highway capital improvement projects. The agency received approval from the Federal Highway Administration (FHWA) to apply the total investment as toll credits in lieu of state and local matching funds for highway and transit projects that utilize federal money. Today, the non-federal share match requirement for eligible projects can be met in California by applying toll credit, thereby allowing a project to be funded with up to 100 percent federal money for federally-participating costs.

To utilize this program, the Board adopted a one-year Toll Credit Use Policy in August 2010, which it extended an additional year at its October 2011 meeting, aligning it with the two year Caltrans policy. Caltrans has since extended its policy indefinitely and will be making modest adjustments in the near future. SACOG's policy expired October 2012 and needs to be updated to align with the current Caltrans policy, allowing for continued usage of the available flexibility while Caltrans makes adjustments. Amendments to the toll credits policy may be proposed by staff in later months.

The use of toll credits is the mechanism by which the federal government waives the requirement for providing local match for federal funds, crediting the state for toll revenue dedicated to transportation. Toll credits are not money. As such, the use of toll credits has its advantages and challenges. An advantage of the use of toll credits is that it permits a sponsor to program a project at 100 percent federal share, preserving its local matching funds for other projects. The application of this to a funding round, with limited federal funds, is where addition discussion is needed, because it could minimize programming flexibility. It is for this reason that Policy #6 of the SACOG Toll Credits Use Policy will be discussed concurrently with setting targets for the 2013 Flexible Funding Round during the summer of 2013. Additionally, Scenario 4 described in the attachment may be further clarified. This scenario involves swapping federal and local funds between projects in order to streamline project delivery and maximize the benefits to project sponsors.

The El Dorado County Transportation Commission (EDCTC) and the Placer County Transportation Planning Agency (PCTPA) cooperated with SACOG in drafting the initial policy.

Approved by:

Mike McKeever  
Chief Executive Officer

MM:MC:RDO:gg  
Attachment

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## **SACOG Toll Credit Use Policy**

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The SACOG Board establishes the following Toll Credit Use Policy:

- (1) Allow the use of toll credits on currently programmed projects that can be delivered at full scope without additional federal funds;
- (2) Allow the use of toll credits on road rehabilitation projects funded through Regional Surface Transportation Program (RSTP) shares that were distributed prior to 2009;
- (3) Allow the use of toll credits on projects where the sponsor wants to swap federal and local funds between projects;
- (4) Allow toll credits to be used to match Federal Transit Administration (FTA) program funds to the maximum extent allowed by FTA policy for any programs that will bring additional funds into the region;
- (5) Grant the Chief Executive Officer the authority to approve the use of toll credits in special cases not otherwise allowed by this policy when time is of the essence but in keeping with the spirit of the Toll Credit Use Policy, and to report those actions to the Board at the earliest opportunity.
- (6) Postpone the decision on providing 100 percent federal funds on new projects using toll credits as the “match” for FHWA funding programs until later.

### **Toll Credit Use Scenarios**

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1. Same Scope, Less Money—Where the cost of a project is less than the federal programmed amount, toll credits could be substituted for the non-federal match. In other words, a project is delivered wholly with federal funds as programmed, without the need for the original non-federal match because the new non-federal match is now covered by toll credits.
2. Old Formula RSTP Rehabilitation—Where SACOG has distributed federal funds to jurisdictions to implement road rehabilitation projects, these projects could be matched with toll credits, eliminating the local matching funds.
3. Swapping Federal and Local Funds between Phases—Where the early phase of a project was already fully funded with federal funds, with an expectation that the later phases will be over-matched, such later phases could use toll credits if no more federal funds are needed.
4. Swapping Federal and Local Funds between Projects—Where, within a jurisdiction or between jurisdictions, federal funds will be consolidated onto fewer projects and the non-federal matches redirected to other projects in the program.
5. Matching Funds for New Programs not currently used—Where a new or currently unused funding source can be used on a project using toll credits as the match when no local funding source is available. (Examples include: earmark dollars, statewide JARC, and FTA 5311.)