

Agenda: January 8, 2004

To: Regional Transportation Commission
From: Linda Wilshusen, Executive Director
RE: Proposed Process for the 2004 Regional Transportation Improvement Program

RECOMMENDATIONS

Staff recommends that the Regional Transportation Commission:

1. Direct staff to work with the Interagency Technical Advisory Committee to develop proposals for Commission consideration for the 2004 Regional Transportation Improvement Program (RTIP);
 2. Reconfirm its intent to reprogram the \$7.8 million that had lapsed as a result of “use-it-or-lose-it” deadlines, to the Santa Cruz Metropolitan Transit District’s (SCMTD) Consolidated Operations Facility (MetroBase) project;
 3. Indicate its intent to consider programming its remaining County Share to ongoing programs (such as Rideshare and Project Programming and Monitoring) and to the Highway 1 Widening/Carpool Lane project and/or the Coastal Rail/Trail;
 4. Direct staff to work with the ITAC to identify eligible projects to trade new Santa Cruz County’s regional-Transportation Enhancement Activities (TEA) funds for existing Congestion Mitigation and Air Quality Improvement Program (CMAQ) or Regional Surface Transportation Program (RSTP) funds; and
 5. Direct staff to work with Assemblymen Laird and Salinas and Senator McPherson’s offices to urge the California Transportation Commission (CTC) to consider deprogramming projects in counties that previously received advanced STIP funds and return those funds to regions with unprogrammed County Shares.
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BACKGROUND

Under state transportation legislation, SB 45, state and federal funding for various types of state highway and other major transportation projects is programmed every two years through the State Transportation Improvement Program (STIP). The STIP is adopted by the California Transportation Commission (CTC) from projects nominated by the state’s regional transportation planning agencies (including SCCRTC) and Caltrans through the Regional and Interregional Transportation Improvement Programs (RTIP and ITIP).

The regional program of the STIP (RTIP) is funded from 75% of new STIP funding and the interregional program (ITIP) is funded from 25% of new STIP funding. The 75% regional program is further subdivided by formula into county shares. County shares are available solely for projects determined by regions in their Regional Transportation Improvement Programs (RTIP). Each county’s RTIP must be consistent with its *Regional Transportation Plan*.

The CTC reviews the projects nominated through the RTIPs and ITIPs from throughout the state and ensures that the number of projects selected for inclusion in the STIP match available revenues as outlined in the five year Fund Estimate.

The 2002 STIP totaled \$7.2 billion for transportation capital improvements over the 5-year period from FY 2002-03 through FY 2006-07. The 2004 STIP, which will be adopted in August 2004, will extend the STIP period out to FY 2008-09. As discussed at prior meetings, the state budget crisis is significantly impacting the level of funding available for the 2004 STIP.

DISCUSSION

Process for Adopting the 2004 RTIP

There are several issues that need to be considered in the preparation of our 2004 Regional Transportation Improvement Program (RTIP):

- How much money is available to our region?
- Schedule for 2004 RTIP adoption
- What types of projects are eligible for TE funds?
- What are our regional priorities?
- What information must be collected for each project?

How Much Money Is Available to Santa Cruz County?

At its December 11, 2003 the CTC adopted the 2004 STIP Fund Estimate. The 2004 STIP Fund Estimate shows that \$1.3 billion in funds programmed statewide to projects in the 2002 STIP cannot be allocated prior to FY07/08 due to the state funding shortfall and will need to be shifted to the last two years of the 2004 STIP (\$6.6 million over programmed by CTC in Santa Cruz County).

Santa Cruz County's Share

As outlined in the 2004 STIP Fund Estimate, our County Share for the 2004 STIP combines our unprogrammed balance from the 2002 STIP, the return of lapsed funds from the MetroBase and Capitola Village Multimodal projects, new shares of Transportation Enhancement Activity (TE) funds (see discussion below), and new FY 07/08 and FY08/09 County Shares (or RIP) minus a portion of the amount over programmed by the CTC in the 2002 STIP, as shown here:

2002 Unprogrammed Balance:	\$3,841,000
Return of Lapsed Funds (\$7.8M from MetroBase; \$60K from Capitola Village)	7,860,000
New FY07/08-08/09 Share (includes TE)	8,011,000
Subtotal	19,712,000
Over programmed in 2002 STIP	-6,594,000
Total share (TE+RIP)	13,118,000

**Avail only to TE projects
RIP Share**

**2,277,000
10,841,000**

As you can see, we should be able to program \$13 million to projects in the 2004 STIP. However, as you may recall from the RTC's trip to the CTC in August of 2002 to request our reserved STIP funds for the Highway 1 Widening/Carpool Lane project, the CTC allowed several counties in the state to program advances during adoption of the 2002 STIP. This programming of STIP advances may prevent us from accessing the majority of our County's Share for the 2004 STIP. We will be allowed to program \$2.3 million to TE projects, however, the CTC may only allow us to program \$148,000 of the remaining \$10.8 million of our County Share to new STIP projects in the 2004 STIP. Under this scenario, we would have to wait until the 2006 STIP to program the rest of our 2004 County Share (\$10.7 million).

In order to access more of our County's Share in the 2004 STIP, the CTC would need to deprogram several projects previously programmed in other regions of the state. Though deprogramming projects may be politically unpopular to the CTC, staff believes it is the only way to ensure equitable distribution of STIP funds. Staff recommends the Commission direct staff to work with Assemblymen Laird and Salinas and Senator McPherson's offices to urge the CTC to consider deprogramming projects in counties that previously received advanced STIP funds and return those funds to regions with unprogrammed County Shares.

Annual Targets

Additionally, the CTC has established "Annual Programming Targets" for each county in an attempt to annually match the amount programmed statewide in the 2004 STIP to the anticipated funding and to minimize the need to respread projects after 2004 RTIPs are submitted (as had to occur for the 2002 RTIPs and STIP). If the CTC strictly enforces these targets, the Highway 1/17 Merge Lanes project, as well as some other projects in the County, would be delayed to FY2006/07 or later. Attachment 1 shows how Santa Cruz County's STIP funds are currently programmed compared to the CTC-proposed annual targets.

Since the CTC has indicated that there is not sufficient funding available in the state this year to allocate funds to any STIP projects programmed in FY03/04, all of those projects may need to be shifted to FY04/05 or later in the 2004 STIP.

Transportation Enhancement Activities Funding

The CTC has decided to program state and regional shares of federal Transportation Enhancement Activities (TE) funds within the 2004 STIP. For the past several years, these funds have been programmed and processed similarly to Congestion Mitigation and Air Quality Improvement Program (CMAQ) and Regional Surface Transportation Program (RSTP) funds. However, despite protests from most regional agencies, the CTC recently decided that programming these funds within the STIP would afford some regions additional programming flexibility, especially if they did not have sufficient funds available for TE-eligible projects. For Santa Cruz County our TE share for FY03/04 through FY08/09 is \$2.3 million, or approximately \$390,000 per year. These funding levels are tentative pending reauthorization of the Federal Transportation Act, TEA-21.

Because TE apportionments from TEA-21 (1998-2003) ended up being lower than originally anticipated, the SCCRTC over programmed the TEA-21 TE program by \$470,000 and needs to shift at least one of its projects previously programmed to receive TE funds into the 2004 STIP. SCCRTC staff will recommend the Commission shift \$470,000 of the TE funds programmed to existing TE projects as part of adoption of the 2004 STIP. This leaves \$1.8 million to program to other TE-eligible projects.

The CTC has indicated that it will annually allocate TE funds programmed in each region, regardless of statewide funding shortfalls that may affect the remainder of the STIP.

Ongoing Issues

It is possible that the 2004 STIP Fund Estimate is overly optimistic, and the CTC may need to make adjustments prior to adoption of the final STIP in August 2004. Governor Schwarzenegger's mid-year State budget proposal and anticipated FY2004/05 State budget proposal could further reduce the level of funding available for STIP projects over the next several years. Ongoing suspension of Proposition 42, payback schedules for loans to the General Fund, and payback schedules on prior bond debts could all impact the STIP. Additionally, issues regarding federal taxation of ethanol and reauthorization of the Federal Transportation Act could affect the actual level of funding available for STIP projects.

Proposed Process for Adopting the 2004 RTIP and Programming Our County Share

As noted above, the CTC has established annual programming targets for each county in the State and indicated that it may only be willing to program \$148,000 in new STIP funds and \$2.3 million in TE funds to projects in Santa Cruz County. Nevertheless the SCCRTC can propose projects for our entire STIP County Share (\$10.8 million for STIP and \$2.3 million for TE) in our 2004 RTIP.

Programming New and Previously Lapsed STIP Funds

Given that it is highly unlikely the CTC will allow us to program more than \$148,000 of our County Share of STIP funds (\$10.8 million) in the 2004 STIP and that instead, the CTC is focused on respending projects previously programmed in the 2002 STIP, staff does not recommend the Commission conduct a competitive grant process for 2004 STIP funds (as has occurred in years past). Nevertheless, staff believes it is prudent to at least request the CTC allow Santa Cruz County to program its full County Share.

As such, rather than a competitive grant process, **staff recommends the SCCRTC reconfirm its intent to reprogram the \$7.8 million that had lapsed as a result of "use-it-or-lose-it" deadlines, to the Santa Cruz Metropolitan Transit District's (SCMTD) Consolidated Operations Facility (MetroBase) project, as approved at its May 2002 meeting.** The CTC has stated that any projects added into the 2004 STIP (including this one) will be programmed in the last year of the STIP (FY08/09). The Transit District may decide to pursue bonds or other funding mechanisms to ensure the project remains on schedule even if the STIP funds are not available until FY08/09.

Staff further recommends the Commission hereby indicate its intent to consider programming a portion of the remaining \$3 million in its County Share to ongoing programs (such as Rideshare and Project Programming and Monitoring) and to the Highway 1 Widening/Carpool Lane project and/or the Coastal Rail Trail. Due to STIP capacity constraints, the CTC has indicated that any new projects will be programmed in FY08/09.

A range of other projects are also eligible for STIP funds, including pedestrian and bicycle facilities, local road projects, soundwalls, road rehabilitation, and safety projects. Though there is definitely need for funds for several other transportation projects throughout the region, given the extreme financial shortfall of the STIP and the fact that it is unlikely the CTC will allow Santa Cruz County to add new projects to the STIP, staff cannot support programming funds to other projects in the region as part of the 2004 STIP.

Programming New Transportation Enhancements Activities (TE) Funds

TE-eligible projects are enhancements to traditional road projects above and beyond required environmental mitigation. Eligible projects include: pedestrian or bicycle facilities and safety programs, acquisition of natural lands, historic preservation, landscaping and scenic beautification, rails to trails, outdoor advertising, archaeological projects, water pollution control, transportation related museums, and vehicular related wildlife mortality prevention.

As noted above, \$2.3 million in new federal TE funds are available to program to projects in Santa Cruz County. In addition to shifting \$470,000 to existing TE projects due to prior over programming of the County's TE program (discussed above), staff has identified the following options for programming the remaining \$1.8 million in TE funds:

1. Trade the TE funds with CMAQ or RSTP funds programmed to other projects in the region, thereby ensuring none of the TE funds are left unprogrammed
2. Keep the funds in a short-term reserve until the Commission has adequate time to program funds through a competitive grant process
3. Program funds to the Coastal Rail/Trail project – could be used to construct a portion of the trail
4. Shift the funds to TE-eligible projects previously programmed in the STIP in an attempt to free up additional STIP capacity for the STIP projects identified above
5. Conduct an abbreviated competitive grant process

Staff recommends the Commission indicate at this meeting which option should be pursued for the 2004 STIP. Placing the funds in reserve for future programming as part of a competitive grant process may be one of the best options, however there is some risk that other regions in the state could access these unprogrammed funds during the early years, forcing Santa Cruz County to wait several years to access their TE funds. Therefore, **staff's recommendation is to consider trading the TE funds for CMAQ or RSTP funds programmed to other TE-eligible projects in the region.** Doing this could relieve some of the pressure that was placed on CMAQ and RSTP funds as a result of the RTC programming RSTP and CMAQ to the Highway 1

Widening/Carpool Lane project.

Shifting Projects in the 2002 STIP

As noted above, the CTC has established annual programming targets for projects previously programmed in the 2002 STIP. **Staff recommends the Commission direct staff to work with the Interagency Technical Advisory Committee (ITAC) to develop three scenarios for the 2004 RTIP:**

1. Best Case: Only shift projects that are currently delayed
2. GARVEE Option: Show how annual targets can nearly be met if the CTC agrees to sell GARVEE bonds for the Hwy 1/17 Merge Lanes Project
3. Worst Case: Work with project sponsors and the ITAC to determine how projects should be shifted if the CTC strictly holds its targets.

As discussed at the Commission's December 2003 meeting, GARVEE bonds may be the only way to ensure that the Highway 1/17 Merge Lanes project experiences minimal delays as a result of the statewide STIP shortfall. Also, paying for the project over several years through debt service could also free up additional STIP programming capacity to allow other STIP projects in Santa Cruz County to move forward concurrently, even if the CTC closely adheres to its programming targets. At its December 11, 2003 meeting, the CTC approved guidelines and policies for GARVEE bonds which favor large interregional projects.

Staff believes that the Commission should not volunteer to shift too many projects in the 2004 RTIP for several reasons. Most importantly:

1. Half of the funds available in Santa Cruz County are grandfathered funds that have been programmed to the Highway 1/17 Merge Lanes project since as early as 1990;
2. Santa Cruz County projects have only received allocations for \$14 million (or 22%) of its County Shares since enactment of SB 45; It's 1998 STIP County Share totaled approximately \$38 million; and
3. The targets set by the CTC do not match realistic project schedules for some regions in the state. For example, the Monterey County targets would shift over \$20 million programmed for construction of the Highway 101/Prunedale Bypass project to FY05/06, at least one year prior to when those funds will be actually needed for that project.

2004 RTIP Schedule

2004 RTIPs are due to the California Transportation Commission by April 12, 2004. The CTC is scheduled to adopt the 2004 STIP on August 5, 2004. Under this schedule, the Santa Cruz County Regional Transportation Commission would hold a public hearing and adopt the 2004 RTIP at its April meeting. The Commission's committees would review the draft RTIP and make any recommendations at their March meetings. Staff is currently working with project sponsors to update information on projects currently programmed in the 2002 RTIP. Projects that have already been completed will be omitted from the 2004 RTIP and any project schedule or funding changes will be reflected in the new document.

SUMMARY

This report gives an update on the 2004 State Transportation Improvement Program (STIP) process. The STIP is the means by which the California Transportation Commission programs state and federal funding to regions for projects of regional significance. Current estimates are that there is only enough capacity to allow the Santa Cruz County region to program \$148,000 of \$10.8 million of its County Share in the 2004 STIP.

In summary, staff recommends that the Commission approve the following process for adoption of the 2004 RTIP:

- **Focus new/returned STIP funds to the MetroBase project, ongoing programs, and the Highway 1 Widening/Carpool Lane project**
- **Retain regional TE funds in reserve or identify previously programmed projects to trade the funds with**
- **Work with Project Sponsors to update project information in the existing 2002 RTIP**
- **Solicit input from the Commission's Committees at their March 2004 meetings**
- **Hold a public hearing on and adopt the RTIP in April**
- **Forward the 2004 RTIP to the CTC for consideration.**

The proposal may include moving some projects to later years, reprogramming funding for SCMTD's MetroBase project, pursuing Grant Anticipation Revenue Vehicle (GARVEE) bonding for the Highway 1/17 Merge Lanes Project, and programming Transportation

Enhancement Activities funds;

Attachment: 1. Projects Currently Programmed for STIP Funds

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