

TO: Transportation Policy Workshop

FROM: Pat Dellin, Deputy Director

RE: Funding Transfers for the Highway 1/HOV Project Approval/Environmental Document (PA/ED) and Local Projects.

RECOMMENDATION

Staff recommends that the Regional Transportation Commission confirm the funding trades between previously programmed projects (Attachment 1).

BACKGROUND

\$8 million in Regional Surface Transportation Program (RSTP) and Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds is programmed to the Highway 1 Widening/Carpool Lane project for the Project Approval/Environmental Document (PA/ED) phase of the project. The Commission recently learned that CMAQ funding will probably not be available past next fiscal year, and only half the allocation will be available next fiscal year. Therefore, a change in the funding plan for the PA/ED is needed.

At its April 1, 2004 meeting, the Regional Transportation Commission programmed federal Transportation Enhancement (TE) funds to several local projects. The process to access these federal TE funds is very involved and costly. For smaller transportation projects, the impacts of the process may overcome the benefits of the funding.

DISCUSSION

Staff worked with project proponents to develop a series of funding transfers between projects that benefits all projects, and does not negatively impact any project.

Helping Ease Delivery of Smaller Projects

Several recent recipients of Transportation Enhancement (TE) funds have requested more flexible state RSTP Exchange funds for projects that do not and will not have federal funds in the future. Though these projects could undergo the TE process, Caltrans Local Assistance informed staff that it would be very complicated in some instances. For one of the TE projects, Caltrans suggested the funds be changed to CMAQ funds if possible. As such, staff sought to identify available funding that could be transferred from other programmed projects without negatively impacting any of the projects.

Proposed Funding Transfers

Staff worked closely with project sponsors for CMAQ, RSTP and TE funded projects to develop a plan to change the “color of money” among several projects programmed by the RTC. The plan involves several steps detailed in Attachment 2 and the funding transfers are summarized in Attachment 2. The end result of these funding transfers will be immediately available funding for the Highway 1 PA/ED and more useful funding for five local projects that will allow those projects to move forward much more quickly, with no change in the total amount of funding available for each project.

These steps can be accomplished by an administrative amendment to the *Regional Transportation Improvement Program (RTIP)*. Though the type of funds programmed to each project has changed, **the total amount of RTC discretionary funds (RSTP, CMAQ or TE) programmed to each project has NOT changed**, as shown on Attachment 2. It is for that reason that FHWA considers this an administrative amendment. **Staff recommends the Commission confirm these funding trades.**

Updated Funding Information for the Highway 1 Project

The Financial Plan for the Project Approval/Environmental Document (PA/ED) phase of the Highway 1 Widening/Carpool Lane project has been revised (Attachment 3). The programming information has been updated to reflect the funding trades described above. The cost portion of the plan has been updated to reflect updated information on costs already incurred, information from the Nolte team on the probable expenditure rates for the remaining three years of the project, and information from the SCCRTC and Highway Construction Authority budgets on PA/ED reimbursable costs.

The funding section of the PA/ED Financial Plan also needed to be updated to reflect that Congestion Mitigation and Air Quality (CMAQ) funds are expected to be no longer available to our region as of Spring 2005 (discussed further below). Additionally, the funding portion of the Financial Plan has been updated so that the flow of funding by year more closely matches the expected outlay of funding.

CMAQ Funding

As reported to the Commission during consideration of the FY04-05 SCCRTC budget and during consideration of continued funding for CMAQ-funded ongoing programs, Santa Cruz County and the entire AMBAG-region may no longer be eligible to receive CMAQ funds beyond April 1, 2005 (half way through Federal Fiscal Year 04/05). This change is due to recent changes in federal air quality standards that redefine air quality non-attainment and maintenance areas. The Commission has lobbied to ensure the new federal transportation bill (which reauthorizes TEA-21) allows the region to continue receiving CMAQ funds; however, it does not appear that the new bill will address this funding issue. In the past, Santa Cruz County has received, on average, approximately \$1.4 million in CMAQ funds annually. Losing this significant amount of funding affects the number of transportation programs and projects the Commission can fund.

In April and June 2003, the Commission programmed a portion of the anticipated CMAQ funds through FY05/06 to the Highway 1/Carpool Lanes project and to various ongoing programs. As a result of the impending loss of CMAQ funds to the region, the Commission decided in May that the Transportation Management Agencies would be allocated just the guaranteed half of the level of CMAQ funding programmed for FY04/05 and none of the funds programmed for FY05/06. In addition, the half-year of CMAQ funding that was programmed to the Don't Drive One in Five project for FY04/05 was reallocated to the Bike to Work and Community Traffic Safety Coalition projects to address other budget shortfalls in the region.

In the process of addressing the requests to trade TE funds for RSTP funds for some projects (described above), staff found that the total amount of CMAQ available to the region through FY 04/05 will nearly match the programming commitments to the Highway 1 project.

Future Updates to PA/ED Financial Plan

With the above actions, there may still a shortage of CMAQ funds for the Highway 1 Widening/ Carpool Lanes project of approximately \$300,000. The actual shortage could be much less, depending on final federal CMAQ apportionments to the region. The Commission will know by April 2005 if more funding for the Highway 1 Widening/Carpool Lane project will indeed be needed. If CMAQ funds do come up short, staff will recommend that the Commission program additional Regional Surface Transportation Program (RSTP) funds to the project. There are adequate RSTP funds for this purpose. In addition, staff will continue to monitor expenditures and funding and bring updates of the PA/ED Financial Plan to the Commission as needed.

SUMMARY

Several project sponsors have requested to trade TE funds for more flexible RSTP and CMAQ funds. As such, staff sought to identify available funding that could be transferred from other programmed projects without negatively impacting any of the projects. The end result of the proposed funding transfers will be immediately available CMAQ funding for the Highway 1 PA/ED and more useful funding for five local projects that will allow those projects to move forward much more quickly, with no change in the total amount of funding available for each project. The Financial Plan for the PA/ED for the Highway 1 Widening project has been updated to reflect these changes and to also reflect updated cost information and to match funding to costs.

Attachment 1: Proposed Funding Transfers

Attachment 2: Spreadsheet showing funding trades

Attachment 3: Updated Highway 1 PA/ED Financial Plan