

TO: Regional Transportation Commission
FROM: Linda Wilshusen, Executive Director
RE: Update on Transportation Funding Availability

RECOMMENDATION:

Staff recommends the Regional Transportation Commission urge Caltrans to finalize pre-construction activities for the Highway 1/17 Merge Lanes Project in order to ensure that the project is ready to be advertised for construction as soon as possible.

BACKGROUND

Over the past few years, transportation funding in California has been severely constrained. A combination of factors, including over \$5.5 billion in loans that have been made to the State General Fund from the State Highway Account, California Transportation Commission (CTC) priorities which favor projects in large urban areas, slowed economic growth resulting in lower sales tax revenues, and delays to reauthorization of TEA-21, have reduced the amount of funding immediately available for transportation projects in Santa Cruz County and make it impossible to predict when a regular stream of funds will be available.

DISCUSSION

STIP Funds

Uncertainties remain regarding when the CTC will actually be able to release significant levels of funds needed for STIP projects around the state. A recent fix to the way in which ethanol is taxed at the federal level and the defeat of Propositions 68 and 70 make some in the state hopeful that at least a trickle of funds will start running back to the STIP. For now, however, the CTC's transportation funding priority remains maintaining the State highway system by only releasing funds to high priority projects in the State Highway Operation and Protection Plan (SHOPP), as determined by Caltrans. CTC staff continues to remain reluctant to recommend allocations for any of the STIP projects identified by the region's in their *Regional Transportation Improvement Programs* (RTIP) and by Caltrans through the *Interregional Transportation Improvement Program* (ITIP).

Proposition 42 Vulnerable to Suspension

It is anticipated that as part of the FY2005/06 State Budget process, the Governor and Legislature will once again be challenged to balance a budget with limited funds. It is likely that Proposition 42 revenues will once again be "on the table." In anticipation of the upcoming release of the Governor's budget proposal, regions throughout the state have been working

together to try to take Proposition 42 off of the budget table (Attachment 1). As an initial step, each of the regions in the state identified one to three significant, high priority projects that could be jeopardized by another suspension of Proposition 42. Staff submitted information on the MetroBase and Highway 1/17 Merge Lanes projects as two of our region's highest priority projects. Protecting Proposition 42 and other transportation funds on a more permanent basis is discussed in the separate Legislative Agenda item in this packet as part of the "Rescue Transportation" proposal.

Impacts to the Highway 1/17 Merge Lanes Project

Earlier this year, several groups helped advocate for inclusion of the Highway 1/17 Merge Lanes project in the early years of the 2004 STIP and Caltrans indicated it would be able to start construction in August 2005 if the CTC allocated the funds for the project in the Spring of 2005. However, given the continual trend of the State Budget taking funds from the State Highway Account (SHA) to backfill the State General Fund, **it now appears unlikely that the CTC will even allocate funds for the Highway 1/17 Merge Lanes project by August 2005. If funds were allocated in August, construction could start in December 2005 at the earliest. But it is unclear if the CTC will actually have sufficient funds to allocate to this project in time to even start construction by December 2005.**

As a result of the ongoing STIP funding shortfall, the CTC has looked to bonds as a means to construct at least a few major projects in the state. Last year the CTC issued Grant Anticipation Revenue Vehicle (GARVEE) bonds for eight projects in four counties. The CTC has not yet determined if it will be able to utilize GARVEEs to expedite the delivery of any state transportation projects this year. The Highway 1/17 Merge Lanes project is eligible for GARVEE bonds because of its purpose and size, but CTC staff does not consider it a high priority for GARVEE bonds this year because it is not currently ready to go to construction nor is it on one of the state's major interregional routes. **Therefore, even if there are sufficient funds for the state to use GARVEE bonds for a few projects, it is unlikely that the CTC would select the Highway 1/17 Merge Lanes project for GARVEE bonds.**

As part of the *2004 Regional Transportation Improvement Program (RTIP)* the RTC indicated interest in considering GARVEE bonds for this project, however until the project is ready to advertise for construction, it will remain one of the lower priorities for GARVEE bonds. Additionally, if funding does materialize for STIP projects in the coming months, it is highly likely that state highway projects that are ready to go to construction will be given priority for those funds. As such, **staff recommends the Commission urge Caltrans to finalize pre-construction activities for the project as soon as possible so that the project is Ready to List (RTL) for advertisement and can be made a more competitive candidate for the limited funds as they become available over the next year.**

CMAQ, RSTP, and TEA Funds

Despite the shortage of many transportation funding sources, it has given project sponsors time to focus more closely on delivering some of their older, federally-funded transportation projects. Santa Cruz County did an outstanding job obligating Regional Surface Transportation Program (RSTP), Congestion Mitigation and Air Quality Improvement Program (CMAQ), and

Transportation Enhancement Activity (TEA) funds during federal fiscal year 2004/05. In fact, Santa Cruz County had the fifth highest delivery rate in the state for these funding sources.

Our region still has approximately \$1 million in funds that are over 1 year old. As FHWA continues to tighten the rules for project delivery and since the region will no longer be eligible to receive CMAQ funds after June 15, 2005 due to changes in federal air quality standards, it becomes more and more important to quickly deliver federally-funded projects or risk losing funds to other counties and/or states. Staff is working with project sponsors to ensure timely delivery of projects programmed to receive these funds.

FY 2005 Federal Transportation Appropriation Bill

On November 20, 2004, Congress approved the FY 2005 Omnibus Spending Bill which includes the Transportation Department budget (Attachment 2). The bill will now be forwarded to the President's desk for signature. As part of the bill, the region will likely receive slightly higher levels of formula funds, such as RSTP and TEA, than we did last year. Also, Congressman Farr was successful at securing \$400,000 for the Monterey Bay Sanctuary Scenic Trail and \$1.5 million for Metro's Pacific Station Multimodal-Multiuse Facility. Approximately one-half of the funds secured for the Sanctuary Trail will be available for the Santa Cruz County portion of the trail. Staff will return to a future meeting with a report on the work performed to date with the Association of Monterey Bay Area Governments (AMBAG), the Transportation Agency for Monterey County (TAMC), and the Sanctuary Trail task forces and with recommendations.

SUMMARY

Funding for transportation projects continues to be limited. During this period of reduced revenues, projects sponsors are urged to finish previously funded projects and preconstruction activities for projects waiting for STIP funds, especially for the Highway 1/17 Merge Lanes project.

Attachments:

1. Memo on Proposition 42 Transportation Budget Summit
2. Report on Funding Appropriations Bill

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