

AGENDA: August 4, 2005

TO: Regional Transportation Commission  
FROM: Rachel Moriconi, Senior Transportation Planner  
RE: Update on State and Federal Transportation Funding

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## RECOMMENDATIONS

Staff recommends that the Regional Transportation Commission:

1. Accept this status report on state and federal transportation funding; and
  2. Request that AMBAG staff seek the input of the SCCRTC and the local jurisdictions in Santa Cruz County prior to deciding whether to apply for state funding for a regional blueprint plan on land use, housing and transportation coordination.
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## BACKGROUND

Local and regional transportation projects are dependent on a variety of federal, state and local funding sources. The U.S. Congress and Senate have been working throughout July to finalize reauthorization of the six-year federal transportation bill (TEA-21) by July 29, 2005. As part of adoption of the FY05/06 State Budget, funds for local street and road maintenance and State Transportation Improvement Program (STIP) projects have been made available for several Santa Cruz County projects.

Taking into consideration anticipated and approved federal and state actions, Caltrans is in the process of developing the 2006 STIP Fund Estimate, which projects the level of funding that could be available for STIP projects through FY10/11. Over the next several months staff will be preparing the *2006 Regional Transportation Improvement Program (RTIP)* for Santa Cruz County to correspond to the 2006 STIP Fund Estimate. The adopted RTIP will be due to the CTC in late January or early February.

## DISCUSSION

### **Reauthorization of the Federal Transportation Bill, TEA-21**

After several years of delays and continuing resolutions, Congress and the Senate have been working throughout July to finalize TEA-21 reauthorization bill. Proposals for the bill include earmarks for the Highway 1 Soquel to Morrissey Auxiliary Lanes, Metro Center/Pacific Station and the Monterey Bay Sanctuary Scenic Trail. However, as of the writing of this staff report, it is expected that there will be a 20% reduction in congressional earmarks.

Additionally, the bills include funding for the Regional Surface Transportation Program (RSTP), Congestion Mitigation and Air Quality Improvement Program (CMAQ), Transportation Enhancement Activities Program (TE), State Transportation Improvement Program (STIP), High Intensity Transit Tier (HITT) and other transit programs.

Staff will provide an oral update on the status of reauthorization at this meeting.

### **Adoption of the FY05/06 State Budget**

On July 11, 2005 the Governor signed the FY05/06 State Budget. Highlights of the adopted budget related to transportation include:

- Restoration of Proposition 42 funds (\$1.3 Billion) to transportation for the first time in several years to be distributed as follows:
  - \$254 million to the State Transportation Improvement Program (STIP);
  - \$678 million to the Traffic Congestion Relief Program (TCRP);
  - \$254 million to be distributed directly to cities and counties for local roadway maintenance (approximately \$1.5 million to Santa Cruz County jurisdictions); and
  - \$127 million to the Public Transportation Account (PTA) (half to STIP projects and half for State Transit Assistance (STA))
- Assumes \$1 billion from Tribal Gaming Bond Revenues (to pay back prior loans). Prior to distribution as follow, litigation needs to be resolved.
  - \$464 million to STIP;
  - \$130 million to TCRP;
  - \$130 million to Local Streets and Roads statewide; and
  - \$275 million to Transit
- \$5 million for Regional Blueprint Planning - Competitive grants to be matched by metropolitan planning organizations for the development of regional blueprint plans that study future land use patterns and their potential effects on the region's transportation system, air quality, housing, open space, and other resources and develop comprehensive scenario plans. The regional blueprints are to guide future development and land use decisions to promote economic development, protect the environment, promote healthy cities, and reduce unnecessary travel demand by providing mobility and access to schools, services, and recreation.

AMBAG is considering whether to apply for the Regional Blueprint Planning funds for our region. **Staff recommends that the Regional Transportation Commission request that AMBAG staff seek the input of the SCCRTC and the local jurisdictions in Santa Cruz County prior to deciding whether to apply for these state funds.**

Additional information on transportation elements of the budget are included in Attachments 1 and 2.

## **Allocations to FY05/06 STIP Projects**

Based on the adopted State Budget, the CTC anticipates that there will be at least \$800 million available to allocate to STIP projects programmed in FY05/06. However, there are over \$1.8 billion in STIP projects programmed in FY05/06. If tribal gaming revenues are actually realized and Proposition 42 funds are made available to transportation in FY06/07, the CTC could allocate up to \$1.5 billion to projects this year. As discussed at the June Transportation Policy Workshop (TPW), given the uncertainty as to the total amount of funding that will actually be available, the CTC has identified allocation priorities (Attachment 3).

Up to \$500 million in capacity increasing and operational improvement projects on state highways and local roadways are being considered through September on a first-come/first-serve basis. After its September meeting, the CTC will reevaluate the potential of revenues from the Tribal Gaming Bonds and for Proposition 42 transfers in FY06/07 before deciding whether or not they can make additional allocations to local projects. The CTC has already allocated over \$300 million to FY05-06 STIP projects that fall under the capacity-increasing/operational-improvements category, including \$158,000 for the Commission's Freeway Service Patrol (FSP). An additional \$170 million was allocated to Caltrans for Right-of-Way on STIP projects, plus \$100 million to various transit, Transportation Enhancement and other project categories, including \$77,000 for the Commission's Planning, Programming, and Monitoring program.

The biggest project that the RTC has programmed in the STIP for FY05-06 funding is the Highway 1/17 Merge Lanes project (\$39 million). Recently, RTC staff became aware that Caltrans may be unable to finish pre-construction work on the Highway 1/17 Merge Lanes project in time to request an allocation (= release) of STIP funds by the CTC at its September 2005 meeting. Given the high level of uncertainty related to the tribal gaming bonds and the high demand for STIP funds from projects that are currently ready to be constructed elsewhere in the state, staff is very concerned that the Highway 1/17 project may not receive its STIP allocation this fiscal year if it is not ready for an allocation in September. If the project does not receive an allocation this fiscal year, the start of construction will be delayed once again. This issue is discussed in more detail under the Highway 1 Status Report (see separate agenda item).

Also programmed for funding in the FY05-06 STIP is the County's Graham Hill Road Safety Project (\$205,000 for design and right-of-way). However, if final approval of the NEPA environmental document for the Graham Hill Road Project is not completed by September, then allocation of the programmed funds may also be delayed. The County's Amesti Road Reconstruction project (\$1,480,000 in FY05-06 STIP funds) will miss this opportunity to receive a STIP allocation by September due to the timing of its preconstruction activities. Staff will continue to work with all project sponsors to ensure that these projects are ready for an allocation as funds become available.

Notably, in order to ensure that funds are only allocated to projects that are ready to use them, the CTC has established a policy whereby project sponsors must award a contract within six months of receiving a construction allocation. After six months the CTC would reallocate those funds to other projects. Several projects sponsors in the state are concerned about this short window given the variety of issues that could arise, such as unresponsive bids. However, the CTC has indicated that they would consider granting extensions under certain circumstances.

## **AB3090 Reimbursement Requests**

As most of you have already heard, in an unanticipated turn of events, the California Transportation Commission approved the RTC and Transit District's request to designate \$6.3 million for the MetroBase Consolidated Transit Operations Facility as an AB3090 Reimbursement at its July 14, 2005 meeting. The project is now programmed for reimbursement in FY08/09; however, this does not preclude the Metro from requesting an allocation sooner given the influx of PTA funds into the STIP that are projected over the next two years. Assemblymember Laird and Chris Reefe of his staff, Tom Hiltner, Mike Keogh and Les White from the Transit District, and various Caltrans Mass Transit and CTC staff members all played important roles in bringing this to fruition. Staff will continue to work with Metro, Caltrans, and the CTC to ensure that the Metro receives these funds as soon as possible.

Since CTC staff had already informed the RTC that the Rail Right-of-Way Acquisition AB3090 will have to be considered for programming in FY10/11, there is no conflict between these two projects. The CTC is currently scheduled to consider the Commission's request for an AB3090 reimbursement for the Rail Right-of-Way Acquisition project at its September and November meetings, but this schedule may shift.

## **Development of the 2006 RTIP**

As reported at your last meeting, staff has begun development work for the *2006 Regional Transportation Improvement Program (RTIP) for Santa Cruz County*. As directed by the Commission, the ITAC will be developing proposals for Commission consideration.

Due to uncertainties surrounding federal reauthorization and the financing plan for the Bay Bridge, the Fund Estimate for the STIP has been delayed by at least six weeks. The CTC continues to propose two tiers for the 2006 STIP: a worst case scenario and a best case scenario.

In the worst case scenario, the preliminary draft Fund Estimate shows that there would be **no funding for any of the projects currently programmed in the STIP**. The worst case scenario is based on prior loans to the State General Fund not being repaid and future funds from the state sales tax on gasoline (Proposition 42) continuing to be diverted to the General Fund. (Initially Caltrans and CTC staff had thought that there would be at least some funding available from the State Highway Account even under this worst case scenario, but that is no longer the case.)

Under the best case scenario for the 2006 STIP, all loans will be repaid and all of the revenues from the state sales tax on gasoline will be realized. This best case results in up to **\$2 billion in new programming capacity in the 2006 STIP**. Although this is probably an overly optimistic scenario, it will be the scenario that the CTC will consider the primary STIP.

As reported at the June Policy Workshop, the CTC is considering amending the STIP Guidelines regarding the use of specific performance measures in development of the STIP. At the June TPW meeting, the Commission directed staff to report if the CTC can legally impose performance measures which could circumvent SB45 by restricting a region's ability to select projects for its RTIP. Though the CTC cannot specifically dictate which projects receive a

region's share of STIP funds, SB45 affords the CTC the ability to reject a region's RTIP if it finds that the RTIP is not a cost-effective expenditure of State funds. The CTC uses performance measures to evaluate cost-effectiveness. Additionally, based on what they consider cost-effective, the CTC has a large amount of discretion regarding when a project is programmed, for example at the beginning or end of a STIP period.

Though SB45 allows the CTC to establish performance measures, the CTC and Caltrans have modified the performance measure proposal in order to recognize that some measures may not be appropriate for many regions or projects and data deficiencies exist in several areas. As such the new proposal allows regions to report on the performance measures identified in their Regional Transportation Plans (RTP) in these instances. RTC staff plan to take advantage of this option. Staff will continue to monitor this proposal as it develops and continue to advocate that regional priorities be honored by the CTC.

Staff will provide more information on development of the 2006 RTIP at future Commission meetings.

## **SUMMARY**

The good news from the state is that the CTC has approved an amendment to the STIP for an AB3090 reimbursement for the MetroBase project, as requested by the Transit District and the RTC. The readiness of the Highway 1/17 Merge Lanes project and two County projects for allocation of STIP funds by the CTC in the near future is a concern. Adoption of the State Budget and the anticipated reauthorization of the Federal Transportation act (TEA-21) will impact the availability of State Transportation Improvement Program (STIP) funds and influence funding projections for the *2006 Regional Transportation Improvement Program (RTIP)*, which is currently under development.

### Attachments:

1. Elements of the Adopted FY05/06 State Budget
2. News Release on the State Budget
3. CTC Allocation Priorities for FY05/06