



**METROPOLITAN
TRANSPORTATION
COMMISSION**

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Memorandum

TO: Commission

DATE: March 18, 2009

FR: Executive Director

RE: Federal American Recovery and Reinvestment Act (ARRA): Proposal for State Funding

BACKGROUND

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA), which enacted a \$787 billion economic recovery package calling for significant new spending as well as tax cuts. The ARRA includes \$48 billion for the Department of Transportation. Specifically, the proposal includes \$27.5 billion in Federal Highway Administration funding and \$8.4 billion in Federal Transit Administration funds. MTC moved expeditiously to program \$495 million in regional ARRA formula distribution funds last month. This consisted of the roughly \$154 million in sub-allocated Surface Transportation Program and \$341 million in Federal Transit Administration formula funds provided for under existing law.

As part of last month's ARRA discussions, staff noted that we would return in March, as necessary, to address other elements of the bill – most notably the state discretionary element.

STATE FUNDING ELEMENT

Under existing federal and state law, the ARRA includes roughly \$1.7 billion in FHWA funds that flow to the state of California, separate and apart from the amounts sub-allocated to the regions. While there has been some delay in jumpstarting the state process because of discussions of legislation that would sub-allocate additional dollars to the regions, the California Transportation Commission (CTC) kicked off the process at its meeting on March 11th.

The CTC set in motion a process in which the regions are to submit to the CTC by March 27th a priority list of projects under existing state law governing federal highway funds that flow to the State Highway Account. The law requires that the funding be used for State Highway Operations and Protection Program (SHOPP) or spent accordingly to the State Transportation Improvement Program (STIP) process. The STIP provides that 75% of the funds be distributed by county share (with submittal by MTC for the region) and 25% be used for interregional projects as selected by the state.

At the same time, state law could be changed pursuant to recent amendments to ABX3 20 (Bass) such that the amount sub-allocated to the regions could increase from 30% to 62.5%. In general, both paths could yield a similar added funding level for the Bay Area, of roughly \$150 million in FHWA flexible funds and \$10 million in Transportation Enhancement (TE) funding. Table 1 on the following page summarizes the regional funding potential under each path:

TABLE 1

<i>All Figures in Millions</i> Bay Area Distribution	Existing Law	Proposed Legislative Change
Total MTC Suballocation (Already Programmed):	155.4	155.4
MTC State Redistribution (non-TE):	0	158.6
MTC State Redistribution (TE):	0	9.7
Total MTC State Redistribution:	0	168.3
MTC RTIP (non-TE):	144.7	0
MTC RTIP (TE):	10.2	0
Total MTC RTIP:	154.9	0
Total	310.3	323.7

PROPOSED PROGRAM AND FLEXIBILITY TO ADJUST TO LEGISLATIVE DIRECTION

As a reminder, the ARRA is meant to jumpstart the economy and as such includes provisions to ensure timely expenditure of funds. The deadlines for the FHWA funds that flow to the state are quite strict, and time has already elapsed since enactment of the bill. Specifically, 50% of the funds must be obligated within 120 days of the release of apportionments, or July 2nd. Under the CTC direction, the regions' are to obligate funds within three weeks of a requested allocation and give priority to projects that can be obligated by June 17, 2009 and completed by February 17, 2012.

State Funding (non-TE)

Consistent with information discussed during the circulation of the ARRA regional programming proposal, MTC staff is proposing to focus the ARRA State funds that will come to the region on ready-to-go Proposition 1B bond highway projects that have been stalled and unable to move to construction given the state budget impasse and credit market uncertainty. The action by MTC/BATA in January to buy almost \$200 million in state debt kept several projects in construction and allowed for the award of one new project in Sonoma County. The region needs an additional \$500 million to deliver all of the ready-to-go bond projects, as shown in Table 2.

TABLE 2 (All Figures in Millions)

County	Description	Total Bond*	BATA Transaction	Outstanding Need
Projects Already Awarded				
Various	Traffic Detection for CMIA Projects	\$12.9	\$4.2	
Solano	I-80 HOV Lanes from I-80/I-680/SR-12 to Putah Creek	\$35.9	\$10.9	
Alameda	I-580 Eastbound HOV Lane Project, Segment 1	\$50.3	\$41.1	
Alameda	I-680 Sunol Grade HOV SB, Segment 1	\$46.4	\$32.5	
Sonoma	US-101 HOV Lanes between Santa Rosa and Windsor (North)	\$65.7	\$56.7	
Alameda	I-680 Sunol Grade HOV SB Lane Phase 3 (HOT Integrator)	\$8.0	\$8.0	
Totals:		\$219.2	\$153.5	\$0.0
Projects With Bid Openings but Not Yet Awarded				
Sonoma	US-101 HOV Lanes (Wilfred)	\$40.3	\$40.3	
Alameda	I-680 Sunol Grade HOV SB, Segment 3	\$14.5		\$14.5
Alameda	I-680 Sunol Grade HOV SB, Segment 2	\$35.7		\$35.7
Totals:		\$90.5	\$40.3	\$50.2
Projects To Be Awarded in Next Six Months				
Alameda	I-580 Eastbound HOV Lane Project, Segment 2	\$45.1		\$45.1
Alameda	I-580 / Isabel Interchange (Segment 1, Realignment)	\$24.6		\$24.6
Alameda	I-580 / Isabel Interchange (Segment 2, Local Roads)	\$3.9		\$3.9
Alameda	I-580 / Isabel Interchange (Segment 3, Interchange)	\$39.5		\$39.5
Solano	I-80 HOV HOV Lanes - Pavement Rehabilitation	\$29.5		\$29.5
Marin	WB I-580 to NB US-101 Connector Improvements	\$15.3		\$15.3
Sonoma	US-101 HOV Lanes (Central)	\$89.2		\$89.2
Contra Costa	SR-24 Caldecott Tunnel Fourth Bore	\$208.7		\$208.7
Totals:		\$455.8		\$455.8
Grand Totals:		\$765.5	\$193.8	\$506.0

* Includes construction and construction support

State Funding: TE

For the Transportation Enhancements (TE) program, staff is recommending that the roughly \$10 million in funds be directed to ready-to-go projects now. The additional capacity created by advancing ready-to-go projects that were expected to receive those funds could then be used to deliver additional enhancement projects. Staff will work with the County Congestion Management Agencies (CMAs) on the specifics and timing of this process.

CTC ACTION ALREADY TAKEN

The state has discretion over between \$900 million and \$1.7 billion, depending on whether the proposed legislation is enacted. The CTC has already taken action to direct \$625 million of its ARRA dollars to the SHOPP. This amount could increase in the future. Through that process, eight Bay Area projects received just over \$132 million in funding, including \$50 million for the reconstruction of Doyle Drive.

In order to meet the CTC deadline for submitting a prioritized list of regional ARRA projects by March 27th, staff intends to present such a list for approval at your March 25th meeting. If state law is changed by urgency statute in the meantime, we may be able to defer action on adopting such a list – but only by a matter of weeks given the ARRA obligation deadlines. The list we present for approval will reflect consultation with the CMAs and will be drawn from the ready-to-go projects in Table 2.

Whether existing or amended state law is the framework for action, there is likely to be transportation funding in an amount equivalent to the bond commitment addressed available for the region to meet future transportation needs. Again, this is somewhat dependent on the outcome of the legislation so staff will provide more detail at your meeting. These “freed up” funds will be available at some future date that should enable a much more extensive round of outreach with the public and other stakeholders prior to Commission action.

Steve Heminger