STP/CMAQ Cycle 1 and 2 Programming Proposal
Local Streets and Roads Working Group

MTC has requested that the region's transportation stakeholders serving in the various working groups that advise the Partnership Board develop proposals that reflect their preferred options for the programming of STP and CMAQ funding over the next six years.

Existing resources to fund the maintenance of the existing street and road network in the Bay Area fall short by more than $200 million per year. The California Assembly's reversal of the recent proposed raid of local gas tax subvention funds to help cover the State budget deficit—while a welcome turn of events—merely keeps the region's local street and road network at the same place it was at the time *Transportation 2035* (T2035) was developed—underfunded by 50% of what is needed to bring conditions up to a pavement condition index (PCI) of 75 over the next 25 years. Without additional funding, the street and road network in the Bay Area is projected to deteriorate from the current PCI of 64, to 42 by the year 2032.

Transportation 2035

MTC Commissioners recognized that it makes no sense to spend limited regional transportation resources to enhance or expand on an existing foundation that will continue to deteriorate if not addressed. The "Fix-it-First" philosophy that was made prominent in T2035 reflects that recognition.

During the T2035 investment trade-off discussions, local public works representatives stressed the need to invest *early* if the $7 billion dollar regional commitment to street and road maintenance were to be effective in preventing further deterioration of the region's average street and road condition over the course of the Plan period. Early investment in street and road maintenance has been found to have a benefit to cost ratio of five to one. While other strategic investments in the Plan may have a higher calculated benefit cost ratio than maintenance of the existing system, the scale of the savings that can be realized by investing early in the existing infrastructure far exceeds anything else. The existing street and road capital maintenance funding shortfall is $18 billion. Every billion dollars that is invested in preservation of the system will save five billion in long-term costs associated with deferring needed maintenance. In addition to the enormous savings this represents for the region's taxpayers, it also impacts the level of regional resources that will be available to invest in other transportation priorities.

While it has been said many times by MTC staff and it is understood that T2035 is a plan and not a programming document, it is difficult to see the point of such a plan when right out of the starting gate the priorities and actual funding streams deviate sharply from the framework established.

Also understood is the fact that funding sources often come with restrictions and will not necessarily flex to conform neatly to the goals and commitments outlined in the Plan. This is why it is critical that where flexible funding sources are available, that they are applied appropriately according to the priorities that the region has set and with consideration of the types of fund sources that are likely to be available in the future. To this end, the Congestion Management / Air Quality Program (CMAQ) funds currently being proposed in MTC Staff's Plan for the Freeway Performance Initiative (FPI) should be directed in larger proportions to programs uniquely eligible for these funds, such as the Transportation for Livable Communities

(TLC) Program. This would allow the Surface Transportation Program (STP) funds to be spent on Local Streets and Roads Maintenance to achieve the "Fix-it-First" goal. Because, outside of the recent American Recovery and Reinvestment Act (ARRA) program, *known* regional discretionary revenue sources that can be applied against the local streets and roads maintenance shortfall consist of exactly one: Surface Transportation Program (STP) funds. Therefore, it is our position that these funds be used to prioritize the "Fix it First" goals set forth in T2035, as opposed to programming funds into a strategic investment such as the Freeway Performance Initiative which is more rightly viewed as a long range goal.

Project Delivery

The Bay Area Region, through MTC's leadership, has been successful in meeting "timely use of funds" requirements by delivering street and road system preservation projects ahead of Federal deadlines. These efforts provided opportunities for our region to secure additional STP/CMAQ funding from other parts of the state that did not deliver their projects in a timely manner. The end results were additional streets and roads rehabilitation projects that provided Bay Area residents with pavement and safety improvements which includes such components as American with Disability Act curb ramp installations. We encourage that these policies continue and that Cycle 2 Funding allocations be conditioned on programs ability to deliver their projects in a timely manner.

Regional Investments since the Adoption of T2035

Prior to approval of the federal economic stimulus act, local jurisdictions submitted a list of approximately $1 billion "shovel-ready" projects that were deemed deliverable within the time frames being considered for the legislation. Of the $662 million in ARRA funding that was or will be at MTC's discretion to distribute, $145 million has been obligated for street and road maintenance and rehabilitation. That amount is less than 22% of the total and far less than the 43% share of "anticipated" revenues that T2035 said would be going to fund the local street and road maintenance shortfall. While not all the region's share of the ARRA funding was eligible for street and road maintenance expenditure, there were clearly opportunities to fund streets and roads at a far greater level than what has been achieved.

In addition to the ARRA funding, MTC staff's proposal for the first and second cycles of STP/CMAQ funding falls short of targets identified in T2035.

Following is a comparison of the T2035 investment framework and the actual investment practice that has been applied with the ARRA funding and is being proposed by MTC staff for the ARRA backfill funding from the State in combination with the STP/CMAQ Cycles 1 & 2 program. Further detail on the determination of the above percentages is contained in Attachment A.

Transportation 2035 vs. Actual / Planned Investment Comparison

Funding Source	T2035*	Actual / Planned	Diff. In Dollars (Billions)
Anticipated / Unspecified	43.4%	21.9%	$ 0.142
STP/CMAQ*	25.5%	21.5%	$ 0.030
Total Amount Behind / Needed to be On Par with Plan:			$ 0.172

*Does not assume the front-loading of climate initiative funding

To reiterate, it is understood that T2035 is a 25-year plan; however, it is also no secret that the current plan is only valid for the next four years. Therefore, if T2035 is to have any significance at all, actual funding practice should more closely resemble its investment framework. To illustrate how far the region has strayed, the calculated difference between the investments identified in the Plan and the actual percentages that have been received or are being proposed for local streets and roads is shown in the table above.

Attachment B contains an alternate proposal (s) for the 1st and 2nd Cycles of STP/CMAQ programming that we hope will be considered. A summary of the main differences between the local street and road proposal and the MTC staff proposal and the reasoning for them is provided below.

LSRWG Proposal:

- Reduce funding for Freeway Performance Initiative (FPI) from $136 million to $91 million in Cycle 1 and keep MTC staff's proposed $86 million in Cycle 2. Add $9 million from a reduction in "MTC Res 3814 Transit Payback". This revision results in $186 million allocation to FPI.

  Rationale
  - The program consists of multiple IT projects at multiple, widely separated locations. While reducing the program in the first cycle, the $100 million investment still demonstrates a significant regional commitment.

- Increase Transit Capital Rehabilitation from $0 to $9 million in Cycle 1 and keep MTC staff proposal $115 million in Cycle 2. This revision results in $124 million allocation to Transit Capital Rehabilitation.

  Rationale
  - Supports "Fix-it-First" philosophy.
  - Although MTC staff's analysis shows that a significant transit capital shortfall will result in Cycle 2, it may be prudent to start programming now to ensure project delivery.

- Increase funding for Regional Streets and Roads Rehabilitation from $50 million to $86 million in Cycle 1 and keep MTC staff's proposed $85 million in Cycle 2. This revision plus the RSRP annual program allocation of $22 million in Cycle 1 and $6 million in Cycle 2 results in $199 million allocation to LSR Rehabilitation.

  Rationale
  - Supports "Fix-it-First" philosophy.
  - Recognizes need for early investment to maximize investment savings and minimize further deterioration of the region's local streets and roads conditions.

- Recognizes a higher cost benefit through early investment
- Recognizes proven track record of ability to deliver projects in a timely manner
- Local Roads maintenance / rehabilitation did not receive a proportional share of ARRA funding

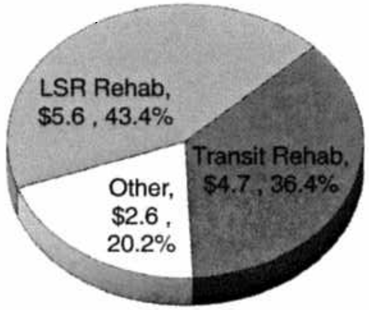
- Reduce “MTC Res 3814 Transit Payback” from $31 million to $22 million. Use the $9 million reduction to fund FPI.

  Rationale
  - There is a very good likelihood that the so-far successful legal challenge will require the State to re-pay diverted STA funds that could be used to settle this commitment in the near future.
  - FPI qualifies for the ARRA backfill funding (restricted to CMIA-type projects). The $9 million reduction would free-up funding that could be used for rehabilitation projects.

Attachment A – T2035 vs. Actual / Proposed Funding

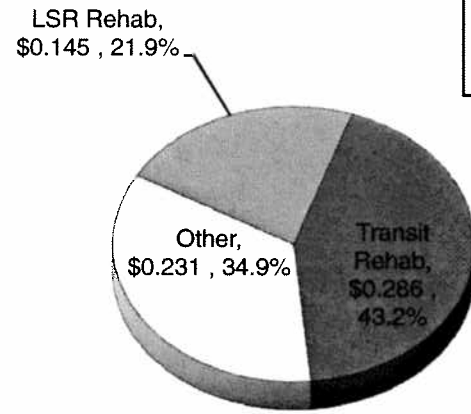
Transportation 2035 Regional Investment
Anticipated / Unspecified Revenue
(In Billions)

Total Anticipated / Unspecified Revenue Assumed in Plan: $12.9 Billion



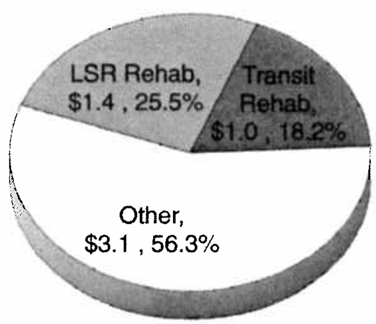
Actual / MTC Staff Proposed Investments
Anticipated / Unspecified (ARRA) Revenue
(In Billions)

Total Anticipated / Unspecified (ARRA) Revenue Received: $0.662 Billion



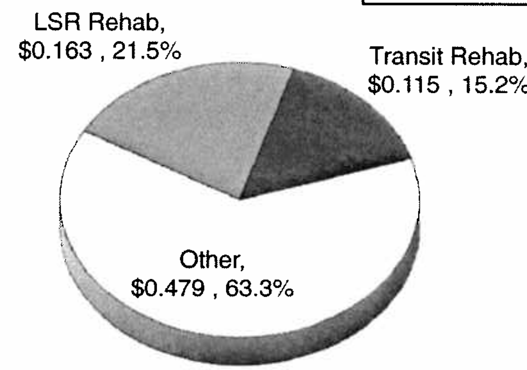
Transportation 2035 Regional Investment
STP/CMAQ
(In Billions)

Total STP/CMAQ Revenue Assumed in Plan: $5.5 Billion*



Actual / MTC Staff Proposed Investments
STP / CMAQ Staff Proposal
(In Billions)

Total STP/CMAQ Programming (Cycles 1 & 2): $0.757 Billion*



**Total revenue does not include "off the top" funding for annual programs and OA payback.*

**Total programming does not includes $274 million in "off the top" funding for annual programs and OA payback and is not reflected in the proportional investments shown above.*

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ATTACHMENT B - LSRWG STP/CMAQ CYCLE 1 AND CYCLE 2 PROGRAMMING PROPOSAL

(Amounts in Millions)

		MTC Staff Proposal -- 06/23/2009				LSRWG Proposal			
	Committed ARRA Programming	ARRA Backfill*	STP/CMAQ Cycle 1	STP/CMAQ Cycle 2	Total -- ARRA Backfill & STP/CMAQ	ARRA Backfill*	STP/CMAQ Cycle 1	STP/CMAQ Cycle 2	Total -- ARRA Backfill & STP/CMAQ
Estimated Apportionment Revenues	**662**	**113**	**485**	**546**	**1144**	**113**	**485**	**546**	**1144**
Annual Programs					**0**				**0**
OA Carryover			68		**68**		68		**68**
Regional Planning			23	25	**48**		23	25	**48**
Regional Operations			84	74	**158**		84	74	**158**
RSRP--PTAP & FAS			22	6	**28**		22	6	**28**
Subtotal Annual Programs	*0*	*0*	*197*	*105*	*302*	*0*	*197*	*105*	*302*
T 2035 Core Programs									
FPI	19		136	86	**222**	9	91	86	**186**
Climate Initiative			32	36	**68**		32	36	**68**
Regional Bikes	10	8	14	21	**42.5**	8	14	21	**42.5**
TLC		15	57	98	**169.5**	15	57	98	**169.5**
Transit Capital Rehab	286		0	115	**115**		9	115	**124**
LS&R Rehab	145		50	85	**135**		86	85	**171**
Subtotal Core Programs	*460*	*22*	*289*	*441*	*752*	*31*	*289*	*441*	*761*
ARRA Strategic Investments					**0**				**0**
Safety Projects	13				**0**				**0**
Express Lanes (580 and 237/880)	14				**0**				**0**
Transit Expansion -- OAC	70				**0**				**0**
Advance Prop 1B (Caldecott)	105				**0**				**0**
Corridor Mobility (SCL I/C Imps)		32			**32**	32			**32**
MTC Res. 3814 Transit Payback Commitment		31			**31**	22			**22**
Transit Efficiency (SFgo)		20			**20**	20			**20**
Trade Corridor (Richmond Rail Connector)		8			**8**	8			**8**
Subtotal Strategic Investments	*202*	*91*	*0*	*0*	*91*	*82*	*0*	*0*	*82*
Grand Total	**662**	113	486	546	1145	113	486	546	1145

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