



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 4a

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Memorandum

TO: Legislation Committee

DATE: February 5, 2010

FR: Executive Director

W. I.

RE: FY 2010-11 President's Budget Proposal

The President's proposed budget for FY 2011 provides a modest 2 percent increase in funding for the Department of Transportation (DOT) relative to FY 2010. For the Federal Highway Administration (FHWA), the budget provides a total of \$41.4 billion in obligation limitation, an increase of 0.6 percent over FY 2010. For the Federal Transit Administration (FTA), the budget provides a total of \$10.8 billion, also a 0.6 percent increase from the current year. The budget indicates that the Administration is including transportation in the overall freeze of non-security discretionary spending.

Budget Proposes \$4 Billion in Seed Funding for a National Infrastructure Fund

The budget contains a significant policy proposal to establish a new competitive fund that would provide grants, loans or loan guarantees to transportation projects of national or regional significance. Project eligibility would encompass highway, transit, passenger rail, and freight projects, generally with a cost of not less than \$25 million, though exceptions are allowed for smaller areas. Of the \$4 billion, \$200 million is reserved for planning, preparation and design work and benefit/cost analysis of the projects, and \$70 million is set aside for administration. The stated purpose of the fund is to "establish a new direction in federal infrastructure investment that emphasizes demonstrable merit and analytical measures of performance." The fund is not identified by the more traditional label of an "infrastructure bank" because an unspecified portion of the funds are proposed to be disbursed as grants, not loans.

New Livable Communities Program Proposed

The budget proposes investing \$527 million to support the Administration's Partnership for Sustainable Communities, a joint effort with the Department of Housing and Urban Development (HUD) and the Environmental Protection Agency (EPA) to reduce greenhouse gases, improve mobility and transportation access, and expand affordable housing choices near employment opportunities and public transit. The budget provides funding to support an Office of Livable Communities within the office of the DOT Secretary. Of the \$527 million, \$268 million is for three existing programs that are grouped under the "Livable Communities" label: the Job Access and Reverse Commute Program, Alternatives Analysis, and Planning programs. The budget provides few additional details about the nature of this new program.

Proposed Restructuring of Federal Transit Administration Programs

The budget proposes the creation of a new "Bus and Rail State of Good Repair" program, which would receive \$2.8 billion for investment in bus, rail and ferries to help reduce the replacement backlog in transit assets that are in marginal or poor condition. The budget proposes to partially fund

this new program by significantly reducing funds for the Fixed Guideway and Bus & Bus Facilities programs. Specifically, the budget would reduce Fixed Guideway funding from \$1.7 billion in FY 2010 to \$515 million in FY 2011, a cut of almost 70 percent. Given that the Bay Area receives about 8 percent of Fixed Guideway funds nationwide, compared to about 5 percent of other transit formula funds, this reduction in funding could have a significant negative impact on the region's share of federal transit funds. It is unclear whether funds from this program would be distributed on a formula basis or by competitive grant. The budget also proposes merging the Elderly and Disabled and New Freedom Programs into a consolidated Seniors and Persons with Disabilities formula grant program.

Additional \$1 Billion for High Speed Rail

The budget proposes \$1 billion in High Speed Rail funding, bringing federal investment to \$11 billion when combined with the American Recovery and Reinvestment Act (\$8 billion) and the FY 2010 appropriations bill (\$2.5 billion).

Budget Recommends \$50 Million in New Starts Funding for Three Bay Area Projects

The President's budget requests \$1.8 billion in New Starts funds, a reduction of \$178 million relative to the current year. Of this total, \$1.6 billion is reserved for projects with full funding grant agreements (FFGA) and \$200 million is for small starts projects. The Administration requested \$20 million for San Francisco Municipal Transportation Agency's (SFMTA) Central Subway Light Rail Transit project, which is recommended for a new FFGA for a total of \$942 million in federal funds. The budget also proposes \$15 million for Alameda-Contra Costa Transit District's Bus Rapid Transit (BRT) project and \$15 million for SFMTA's VanNess Avenue BRT project.

Administration Supports 18-Month Extension

It is unclear whether Congress will agree to any of the programmatic and policy changes outlined above in advance of a more comprehensive new authorization of the federal surface transportation program. The existing SAFETEA authorization expired in September 2009, and has been extended on a short-term basis ever since then. The President's budget assumes that another extension of the current surface transportation program will be adopted through March 2011, and it assumes a \$20 billion transfer from the General Fund to the Highway Trust Fund (HTF) to allow the HTF to meet all obligations through March 2011.



Steve Heminger