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## *Memorandum*

TO: Transit Finance Working Group

DATE: April 6, 2011

FR: Glen Tepke

RE: TCP FY11 POP Amendment

### **Current Status of FY11 FTA Appropriations**

Congress has not yet enacted an appropriations bill or continuing resolution (CR) that funds the Federal Transit Administration for the remainder of FY 2010-11. Therefore, we do not yet know the region's FY11 funding levels for the Section 5307 and 5309 FG programs, which are required before we can proceed with the annual Program of Projects (POP) TIP amendment. The POP Amendment will make adjustments to the FY11 TCP program to reconcile the amount of programming to the final FY11 apportionments and the unprogrammed balances from FY10 in each urbanized area.

FTA and other federal agencies are currently operating under a CR which expires this Friday, April 8. The House leadership has introduced a new one-week CR to extend funding through April 15 while negotiations on the final FY11 budget continue.

The current and proposed CRs fund FTA's formula programs, including Section 5307 and 5309 FG, at FY10 levels, and all legislative proposals for funding the remainder of the year that have been offered so far would continue funding at FY10 levels. Therefore, level-funding of the formula programs remains the most likely scenario, though it is conceivable that funding could be reduced below FY10 levels.

### **Timeline for FY11 POP Amendment**

We have been hoping to take the FY11 POP amendment to the Commission in May, with federal approval expected by early July. However, the delay in finalizing the federal budget is making that timeline more difficult to achieve. After Congress enacts and the President signs an appropriations bill or CR for the remainder of the year, FTA needs to apportion the formula funds to each urbanized area. If the budget is resolved before the proposed CR expires on April 15, and FTA issues the apportionments before the end of April, it may be possible to assemble the POP amendment in time for Commission approval in May. However, if the budget negotiations extend beyond April 15 or if FTA takes longer to issue the apportionments, we would need to take the POP amendment to the Commission in June, with federal approval expected by early August.

An alternative approach would be to develop the POP amendment based on estimated rather than actual apportionments. This would allow us to take the amendment to the Commission in May, even if FTA has not yet issued apportionments. However, enactment of the FY11 budget would still be required before the Commission approves the POP amendment. The estimated apportionments for the Section 5307 program would be based on each urbanized area's share of the FY11 partial-year apportionments issued by FTA in February. However, the partial-year apportionments for the Section 5309 FG program are not useful for projecting full-year apportionments due to the program's seven-tiered apportionment formula, so the estimated apportionments for the 5309 FG program would be based on each urbanized area's share of the FY10 apportionments. Because of the uncertainty in the projected apportionments, especially for the 5309 FG program, and the risk of over-programming if the actual apportionments come in below the estimates, staff recommends adjusting the size of the program to 5% below the estimated apportionments in each urbanized area to create a cushion. If the actual apportionments come in above the programmed amounts, the unprogrammed balances would carry over to FY12.

If the FTA budget is not enacted and apportionments not released in time for consideration of the POP amendment by the Commission in May, staff recommends deferring the POP amendment in June rather than pursuing the May alternative outlined above. The FY10 POP amendment was adopted in June 2010, and most operators were still able to get their FTA grants approved before the TEAM shutdown in September. However, we can consider the alternative approach if taking the POP amendment to the Commission in June would create a particular hardship for operators.

### **Options for Addressing Shortfalls in FY11 POP Amendment**

In order to address the anticipated shortfalls in the FY TCP program, the proposed POP amendment will take the following measures spelled out in the TCP program (MTC Resolution 3908):

1. Transfer funding for eligible projects between the 5307 and 5309 FG programs, if one program has a shortfall and the other has available funds;
2. Redistribute programming to other urbanized areas with surplus apportionments in which the projects are eligible;

If these measures are insufficient to address the shortfalls, staff continues to recommend reducing the Flexible Set-Aside in lieu of reductions to other projects or deferrals to FY12. The Flexible Set-Aside for FY11 was not programmed in the original TCP program. Instead, funding was held in reserve to serve as a cushion in the event of shortfalls.

SFMTA is currently considering deferring two major vehicle procurements (one for buses and one for trolleys) from FY11 to FY13. Each project currently has \$20 million in the FY11 program. If SFMTA elects to defer one or both procurements, staff will factor the reduced need for programming in the proposed FY11 POP amendment.

## **FY11 Partial-Year Apportionments and Grants**

FTA has not released any additional partial-year apportionments for its formula programs since the apportionments released on February 8. At the March 2 TFWG meeting, MTC staff distributed an allocation of the partial-year apportionments based on each operator's share of the FY11 TCP program in each urbanized area (see item #5 in the March agenda packet). Operators still have the option of submitting a partial-year grant for up to their share of the partial-year apportionments, or waiting for FTA to issue apportionments for the entire year and submitting a grant after the FY 11 POP amendment is adopted. FTA Region IX staff recommends that operators submit partial-year grants in order to get their projects through DOL review before the summer when the high volume of grant applications can lead to delays in grant awards.

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