

Metropolitan Transportation Commission Programming and Allocations Committee

April 13, 2011

Item Number 3b

MTC Resolution No. 4008

Subject: Regional Toll Credit Policy

Background: Federal statutes allow states to use certain toll revenue expenditures as a credit in lieu of the non-federal match of certain federal highway and transit programs, called "toll credits". It is important to note that toll credits do not provide additional revenues, but rather allow the use of federal funds at a reimbursement rate of 100% without a required local match.

During the period from FY1991-92 through FY2005-06, California collected approximately \$18.2 billion in toll revenue receipts, of which over \$7.1 billion was invested to build or improve public highway facilities. Based on federal statutes, the Federal Highway Administration (FHWA) approved approximately \$5.7 billion in toll credits from investments during this time period. Now approved, these toll credits do not lapse, and are available until used by the state.

Although five regions have generated toll revenues qualifying for toll credits in the state, Caltrans manages the toll credits on a state-wide level.

Region	(\$millions)	
MTC	\$3,492	61%
OCTA	\$2,040	35%
SANDAG	\$113	2%
LAMTA	\$61	1%
SACOG	\$39	1%
Total	\$5,744	100.0%

Current State Toll Credit Policy

Caltrans has established an interim toll credit policy through FY2011-12 that allows the use of toll credits in lieu of the required non-federal match anywhere in the state for selected federal programs. The use of toll credits for STP/CMAQ and FTA Formula funds is at the discretion of the Regional Transportation Planning Agency/designated recipient. The policy will be evaluated prior to implementation of a final policy for FY2012-13 and beyond.

Regional Policy

Considering that toll credits do not provide additional revenue and result in fewer projects delivered with the same amount of federal funding, the region needs to be careful in using toll credits to avoid reductions in the overall funding available for transportation projects. That said, using toll credits can be beneficial for project implementation under certain circumstances.

Staff proposes the following principles for using toll credits within the Bay Area on a case-by-case basis:

- **Maximize Efficient Use of Federal Funds:** Apply toll credits on large federalized projects to substitute for non-federal funding otherwise used as local match (e.g. county sales tax funds). This would allow the local funds to be used on other transportation projects and would focus federal funds on fewer, larger projects, while redirecting more flexible funding to other transportation projects that may have difficulty proceeding through the federal-aid process.
- **Facilitate Funding Exchanges:** Consider the use of toll credits if needed to facilitate the exchange of non-federal funds. Using toll credits maximizes the local dollars available for exchanges thereby expanding the 'pool' of non-federal funds with which to implement a broader range of regional transportation strategies, consistent with MTC's existing exchange program.
- **Target Federal Funds to Specific Phase(s):** For some projects it is often advantageous to use non-federal funds for specific phases, such as preliminary engineering, and use federal funds for other phases such as construction. However, it is difficult to obtain federal approval to consider local funding spent on earlier phases as match to federal funds in later phases. Sponsors tend to over-match smaller projects as a result. It is proposed that toll credits may be used on a case-by-case basis for a specific phase, where non-federal funds have been expended in excess of the required non-federal match in the earlier phases. The overall project would still have non-federal funding exceeding the required match for the entire project, while facilitating project delivery by targeting federal funds to a specific phase.

The Toll Credit policy is proposed to be implemented by MTC through the policies and procedures developed for the specific federal programs. This policy only applies to federal funds managed by MTC and may be re-evaluated following issuance of Caltrans' final toll credit policy in FY11-12.

Issues: None

Recommendation: Refer the Regional Toll Credit Policy, Resolution No. 4008, to the Commission for approval.

Attachments: MTC Resolution No. 4008

Date: April 27, 2011
W.I.: 1512
Referred by: PAC
Revised:

ABSTRACT

Resolution No. 4008

This resolution establishes the regional policy for managing the use of Toll Credits, also known as Transportation Development Credits, within the San Francisco Bay Area.

This resolution includes the following attachments:

Attachment A – Regional Toll Credit Policy

Additional discussion of this action is contained in the MTC Programming and Allocations Committee Summary dated April 13, 2011.

Date: April 27, 2011
W.I.: 1512
Referred by: PAC

Re: Regional Toll Credit Policy

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4008

WHEREAS, the Metropolitan Transportation Commission (MTC) is the regional transportation planning agency (RTPA) for the San Francisco Bay Area pursuant to Government Code § 66500 et seq.; and

WHEREAS, MTC is the designated Metropolitan Planning Organization (MPO) for the nine-county San Francisco Bay Area Region (the region); and

WHEREAS, MTC, as the designated RTPA and MPO for the region, is responsible for programming and managing certain federal and state funding provided to the San Francisco Bay Area for transportation purposes; and

WHEREAS, Section 1111(c) of the Transportation Equity Act for the 21st Century (TEA21), and 23 U.S.C., Section 1044 of the Intermodal Surface Transportation Efficiency Act (ISTEA) under Section 120(j) allows states to use certain toll revenue expenditures as a credit toward the non-federal matching share of certain programs authorized by Title 23 (referred to as Toll Credits) and for transit programs authorized by Chapter 53 of Title 49 (referred to as Transportation Development Credits); and

WHEREAS, the Federal Highway Administration (FHWA) has granted approval to Caltrans to use Toll Credits; and

WHEREAS, the California Department of Transportation (Caltrans) has developed a policy on the use of Toll Credits, including the monitoring and reporting of toll credit usage; and

WHEREAS, Attachment A to this resolution, attached hereto and incorporated herein as though set forth at length, establishes the policy principles for the region's use of Toll Credits, now therefore be it

RESOLVED, that MTC approves the regional Toll Credit policy for the San Francisco Bay Area as set forth in Attachment 'A' to this resolution; and be it further

METROPOLITAN TRANSPORTATION COMMISSION

Adrienne Tissier, Chair

The above resolution was entered into
by the Metropolitan Transportation
Commission at a regular meeting of the
Commission held in Oakland, California,
on April 27, 2011

Date: April 27, 2011
W.I.: 1512
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Revised:

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Regional Toll Credit Policy

Background

Section 1111(c) of the Transportation Equity Act for the 21st Century (TEA21), and 23 U.S.C., Section 1044 of the Intermodal Surface Transportation Efficiency Act (ISTEA) under Section 120(j) allows states to use certain toll revenue expenditures as a credit toward the non-federal matching share of certain programs authorized by Title 23 (referred to as toll credits) and for transit programs authorized by Chapter 53 of Title 49 (referred to as transportation development Credits).

Toll credits do not provide additional revenues, but rather allow the use of federal funds at a reimbursement rate of 100% without a required non-federal match.

The Federal Highway Administration (FHWA) approved approximately \$5.7 billion in toll credits for use in California.

Toll credits are managed by Caltrans at the state level.

Current State Toll Credit Policy

Caltrans has established an interim toll credit policy covering the three-year demonstration period of FY 2009-10 through FY 2011-12. The policy will be evaluated prior to implementation of a final policy for FY 2012-13 and beyond. The use of toll credits for STP/CMAQ and FTA Formula FG funds is at the discretion of the RTPA/designated recipient.

Regional Principles

The use of Toll credits should be focused toward the objectives below:

- **Maximize Efficient Use of Federal Funds:** Apply toll credits on large federalized projects to substitute for non-federal funding otherwise used as local match (e.g. County sales tax funds). This would allow the local funds to be used on other transportation projects and would focus federal funds on fewer, larger projects, while redirecting more flexible funding to other transportation projects that may have difficulty proceeding through the federal-aid process.
- **Facilitate Funding Exchanges:** Consider the use of toll credits if needed to facilitate the exchange of non-federal funds. Using toll credits maximizes the local dollars available for exchanges thereby expanding the 'pool' of non-federal funds with which to implement a broader range of regional transportation strategies, consistent with MTC's existing exchange program.
- **Target Federal Funds to Specific Phase(s):** For some projects it is often advantageous to use non-federal funds for specific phases, such as preliminary engineering, and use federal

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funds for other phases such as construction. However, it is difficult to obtain federal approval to consider local funding spent on earlier phases as match to federal funds in later phases. Sponsors tend to over-match smaller projects as a result. It is proposed that toll credits may be used on a case-by-case basis for a specific phase, where non-federal funds have been expended in excess of the required non-federal match in the earlier phases. The overall project would still have non-federal funding exceeding the required match for the entire project, while facilitating project delivery by targeting federal funds to a specific phase.

Implementation

The Toll Credit policy is to be implemented by MTC through the policies and procedures developed for the specific federal program managed by MTC.

This policy only applies to federal funds managed by MTC (including FTA 5307, FTA 5309 FG, STP and CMAQ) and may be re-evaluated following issuance of Caltrans' final toll credit policy in FY 11-12.

Monitoring

Toll credits are to be entered into MTC's Fund Management System (FMS) for tracking and reporting purposes.