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Memorandum

TO: Legislation Committee DATE: April 4, 2014

FR: Executive Director W. I. 1131

RE: SB 990 (Vidak): State Transportation Improvement Program (STIP)/ Transportation Development Act (TDA) Funds: 5% Set-aside for Disadvantaged Small Communities

Background

SB 990 (Vidak) would require counties to set aside 5 percent of their Regional Transportation Improvement Program (RTIP) county share for "Small Disadvantaged Communities," which the bill defines as a "city or census designated place that has a population of 25,000 or fewer people and that has a median household income less than 80 percent of the statewide average." Additionally, the bill requires that regional transportation planning agencies responsible for allocating Transportation Development Act (TDA) funds, such as MTC, reserve 5 percent of such funds (after certain statutory takedowns) for such areas. The bill also requires congestion relief and safety to be the top priority for the use of such funds.

Recommendation: Oppose

Discussion

Staff recommends we oppose this legislation. On principle, we are opposed to the Legislature adding new set-asides for specific purposes or geographic areas to existing formula funding as doing so greatly undermines the local and regional transportation planning and prioritization process. Based on MTC staff's review of 2012 census data, there are only 14 "small disadvantaged communities" meeting the bill's definition in the nine-county Bay Area, comprising only 45,264 residents — 0.6% of the region's total population. The chart below illustrates the size of such communities and their relative share of the county population.

County (Number of Areas)	Population Residing in "Small Disadvantaged Community"	Share of County Population	Relationship to 5%	Example: 2014 RTIP Set-aside Required
Contra Costa (4)	29,575	2.7%	1.8 x smaller	$1,589,250
Marin (2)*	2,870	1.1%	4.5 x smaller	$297,250
Napa (1)	211	0.2%	33 x smaller	$195,700
Sonoma (7)	12,608	2.6%	1.9 x smaller	$605,650

*Marin has a $33 million STIP advance scheduled to be repaid over the next 10 years.

As written, the bill's RTIP provisions would not apply to counties without a small disadvantaged community and are therefore limited to Contra Costa, Marin, Napa and Sonoma counties. The requirement for a 5% set-aside within each STIP county share would undermine the ability of counties to invest limited state funds in their highest priorities. From a more practical standpoint, reserving small portions of funds for specific areas can be very inefficient and delay project delivery as the funds may be insufficient to deliver an actual project for many years.

With respect to TDA, SB 990 would require MTC to take 5% of TDA funding "off the top" — equivalent to between $15 - $18 million depending on whether the 5% set-aside is performed before or after various takedowns required in current law. This would reduce funding for transit operators regionwide, with more significant impacts for the smaller operators. For example, Vacaville Transit would lose 9 percent of its operating budget from the shift and Sonoma County Transit would lose 3 percent. Given the bill's ostensible concern for disadvantaged communities, it is ironic that the population most negatively affected by the bill would be the transit dependent riders of the region's smallest transit systems, where TDA comprises the largest share of their operating budget.

It is worth noting that Senator Vidak represents a number of Central Valley counties (Fresno, Kern, Kings & Tulare) where TDA funds are still used to fund local streets and roads. The bill apparently arises out of a dispute over funding priorities in those counties. This also explains the bill's requirement that regional transportation planning agencies prioritize congestion relief and safety in programming the reserved RTIP and TDA funds. If the bill does gain any traction, staff would urge that the Legislature limit the entire scope of the bill to counties where TDA funds are still used for local streets and roads, effectively excluding the Bay Area.

For the reasons outlined above, we recommend an oppose position on SB 990.

Known Positions

Support

Not known at this time

Oppose

Not known at this time

Steve Heminger

SH: RL
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