Item 4

METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Bay Area Partnership Board DATE: October 3, 2005

FR: Steve Heminger, MTC

RE: **SAFETEA Third Cycle STP/CMAQ Funding Policies**

Since the Partnership Board met on August 1st, there have been a number of developments with respect to the proposed Third Cycle STP/CMAQ program, which are discussed below. At its meeting on September 19, 2005, the Partnership Technical Advisory Committee (PTAC) generally endorsed the revised proposal outlined in this memo.

A. Recent Developments

Revised Revenue is lower than earlier anticipated: With the passage of SAFETEA, MTC's earlier assumptions on STP/CMAQ revenue have been modified. However, FHWA will not make the definitive numbers available until at least late October. Our latest revised estimates indicate that overall revenue levels will make $900 million STP/CMAQ available to the MTC Region. After reducing these levels by previous programming actions ($598 million) reflecting First-Cycle, Second Cycle, and First Cycle Augmentation commitments, the remaining unprogrammed Third Cycle increment is approximately $300 million. This revision is due in part to our earlier estimates being based on a mid-point between the House of Representative and Senate proposals. Ultimately, the level of funding enacted was in line with the lower-end House proposal.

Bonus round is unlikely: Our previous memo to the partnership suggested a bonus cycle of approximately $50 million to take place once the region had a firm grasp of the SAFETEA funding apportionments. This revised Third Cycle proposal amounts to approximately $300 million, which nearly eliminates the viability of a bonus round. However, MTC staff will continue to pursue future opportunities to capture obligational authority over the tenure of the SAFETEA time period, which could realize additional federal funding for a possible future round of programming.

Recent Responses to the Proposal: We have received three formal comments since the August Partnership meeting. The first two responses addressed the use of funding contingent upon the "bonus round". The third addressed Third Cycle funding without the bonus round.

1) AC Transit requested additional funding to repower approximately 200 buses as well as up to $20 million to deploy the Rapid Bus improvement on the MacArthur AC Transit corridor.

2) The San Francisco Municipal Transportation Agency proposed critical transit expansion projects for additional funding: the Third Street Metro East Maintenance Facility, Third Street Southern Terminal project, Mission Bay LRVs and trolley coach extensions.
3) At their September meeting, in response to the lower than anticipated level of Third Cycle STP/CMAQ funding, the CMA Directors recommended dedicating the $29 million increment beyond funding identified in Resolution 3615 to Local Streets and Roads ($10M), Transit Capital Replacement ($10M) and increasing the base CMA planning funds for the four North Bay Counties and funding the Clean Air / Spare the Air Program based on the outcome of the evaluation of the program ($9M).

B. Third Cycle Recommendation
The Partnership Technical Advisory Committee supports the funding outlined below in Table 1. In addition, the Committee requests that any additional funds that become available in SAFETEA above the funding identified in the current proposal be dedicated to transit and streets and roads rehabilitation.

By way of background, Table 1 reflects those commitments as embodied in Resolution 3615, which established a priority list for $266 million in Third Cycle commitments. This in turn established the starting point for discussion of proposed Third Cycle policies with the Partnership. Table 1 also outlines the original recommendation considered by the Partnership at its last meeting, and the revised recommendation proposed by MTC staff and endorsed by the Partnership TAC on how an additional $34 million made available by SAFETEA be allocated to the funding programs. More information on each of the funding programs and its recommended funding level is described in the next section.

Table 1: Third Cycle Funding Proposal Summary

	Original 3rd Cycle Commitments Res. No. 3615	July Proposal Increase (Decrease)	Revised Proposal Increase (Decrease)	Proposed 3rd Cycle Commitments
Funding Categories	(in millions)			
1. Clean Air	$4	$18	$13	$17
2. Regional Operations	$44	-	-	$44
3. CMA Planning Activities	$10	-	$1	$11
4a. Local Streets and Road Shortfall	$57	-	$9	$66
4b. Transit Capital Shortfall	$55	-	$9	$64
5. TLC/HIP	$72	$7	$2	$74
6. Regional Bike/Pedestrian	$24	-	-	$24
7. Lifeline	-	$4	-	-
TOTAL Commitments:	$266	$29	$34	$300

C. SAFETEA Current Programming Commitments – Policy Issues
The detail on the proposed funding levels and the policy issues associated with each of the funding programs are detailed below.

1. Clean Air
A total of $4.5 million was originally set-aside for the Clean Air Program for Third Cycle. Specifically, the MTC Resolution 3615 commitments contribute to the "Spare the Air" Program at a cost of $2 million, and $2.4 million for the Eastern Solano CMAQ program over the Third Cycle period.

Proposal:
1. Continue the $1 million annual contribution to the BAAQMD for the Spare the Air program, as previously committed.
2. Increase the Eastern Solano CMAQ program to $2.5 million for the two-year period, which includes the augmentation to Solano-Napa Commuter Information (SNCI), and assumes a contribution by Solano to their share of regional programs. An additional $0.1 million more than the Resolution 3615 commitments is necessary to fund this program.
3. Extend the Spare the Air, Free Transit Commute Campaign, subject to an annual evaluation process in January of each year. These programs address the Bay Area's non-attainment status for the 8-hour ozone standard. The Free Transit Commute Campaign requires an additional $5 million annually for three years, or $15 million, beginning in FY 2006-07. However, carryover of $3 million from FY 2004-05 will partially offset these costs, reducing the additional need to $12 million. The program's funding needs would be reconfirmed based on the evaluation of program effectiveness after FY 2006-07 and subsequent "Spare the Air" seasons. Any residual funds not used by the program either because of lower than expected costs or low cost-effective performance would be shifted to other air quality improvement strategies, subject to Partnership review and input.

2. Regional Operations
The projects receiving funding in this category in First and Second Cycles include TransLink®, 511 TravInfo®, Regional Rideshare, Marketing, Transit Info, Incident Management, Freeway Operation Systems, and Performance Monitoring. There was $44 million set-aside for this program in Resolution 3615, including an increase to Rideshare to replace CMAQ funding redirected to the Regional Transit Information System (RTIS) during Second Cycle. There is no need to increase funding for Regional Operations at this time.

Proposal:
1. Maintain funding for Regional Operations at the Second Cycle Resolution 3615 commitment level of $44 million.

3. CMA Planning Activities
MTC continues to fund CMA planning activities. As in the past, 3% of the estimated STP revenues are dedicated to the CMAs for planning. During the First and Second Cycles, each county CMA was guaranteed a minimum of $240,000, an increase from the minimum threshold of $140,000 provided during TEA 21. The CMA's are provided either the county's population

shares of 3% of the STP funds or $240,000 whichever figure is higher. In addition, $1.35 million ($150,000 for each of the county CMAs) is targeted for transportation land use planning coordination with MTC under the Transportation for Planning and Land Use Solutions Program (T-PLUS). A total of $10 million was envisioned for CMA planning activities in Resolution 3615.

Proposal:
1. Set-aside $1 million in reserve to address increased planning needs associated with the Lifeline Program in the final year of SAFETEA or any other new regional initiatives that require additional oversight by the CMAs.
2. North Bay Congestion Management Agencies have expressed that the $240,000 minimum threshold is insufficient to cover all cost associated with planning, programming and monitoring activities required by MTC. To address these concerns, the current proposal increases funding to CMA planning activities by adjusting the base of revenues used to calculate the planning funds. The four years prior to third cycle were estimated using the RTP revenue estimates, which are below the levels now anticipated by SAFETEA. This four-year increment (difference between SAFETEA and RTP numbers) of roughly $800,000 would be made available to the CMA directors to distribute among the counties to address CMA related planning needs as they see appropriate.
3. Revise CMA county distributions to reflect January 2005 population figures from DOF.

4a. Local Streets and Roads Shortfalls

Based on T2030, the local streets and roads rehabilitation program distributed funding to counties based on their proportional share the region's Metropolitan Transportation System shortfall. There have been lively discussions in the Local Streets & Road (LSR) Committee regarding the equity in the distribution of the funding. Subsequently, the LSR Committee has reached a consensus on a new model to distribute the funding, taking into consideration other factors such as population, lane mileage, arterial/ collector maintenance shortfalls, and jurisdictions' performance in managing its pavement needs. Since this new model involves "winners" and "losers", the Cycle 1 Augmentation distributed money using a "hybrid" formula – 50% original MTS and 50% new model. For the Third Cycle, the LSR Committee is requesting that the hybrid formula be similarly used for fund distribution in the Local Streets and Roads Rehabilitation Shortfall Program. Thereafter the committee has suggested that the new allocation model be used to distribute funding for this program. Resolution 3615 identified $57 million for Third Cycle for the LSR shortfall program.

Proposal:
1. Apply the hybrid formula used for the First Cycle Augmentation for the distribution of funds for Third Cycle.
2. Increase the streets and road funding by $9 million over the original commitment, subject to the availability of STP funds. As mentioned in previous discussions with the Partnership, much of the funding for Third Cycle is CMAQ and rehabilitation is not eligible for CMAQ funds; therefore, this increase will depend on the capacity for funding swaps and partnerships between sponsors and MTC.
3. Meet the Federal Aid Secondary set-aside requirements. MTC staff have been tracking the FAS set-aside requirement and are aware of three counties that have not received their guaranteed set aside for the SAFETEA period, and will therefore need to receive guaranteed funding in the Third Cycle LS&R programming. These counties are: Alameda County ($986,566); Contra Costa County ($901,646); and Solano County ($1,055,594).

4b. Transit Capital Shortfall

In Second Cycle, $55 million in STP funding was dedicated to augmenting transit capital priority funding in order to meet the transit capital shortfalls identified in T2030. The Second cycle policy was amended in July to memorialize the agreement that 80%, or $45.4 million, would be directed to BART to meet major fleet replacement needs with the residual of $9.4 million going to the remaining transit operators that have score 16 funding needs after considering FY 2005-06 and FY 2006-07 FTA funds, prioritizing those that had score 16 capital shortfalls in T2030.

However, the $9.4 million for projects with a score 16 shortfall is being deferred into later years, given that there are no remaining score 16 shortfall needs following the FTA programming. The FTA call for projects has indicated that there may be no score 16 shortfalls for FY 2007-08, and it is possible there may be no shortfall needs in FY 2008-09 as well, other than those projects capped through the FTA process. Therefore, we may want to shift this rehabilitation funding temporarily to other programs – roughly $20 million – after considering BART's 80% to streets and roads. There could be a payback from future streets and road rehab to transit, once the score 16 replacement needs ramp up again.

Proposal:
1. Increase the transit funding by $9 million over the original commitment, subject to the availability of STP funds. As mentioned previously, much of the funding is CMAQ and rehabilitation is not eligible for CMAQ funds; therefore, this increase will depend on the capacity for funding swaps and partnerships between sponsors and MTC.
2. Proceed with the funding of BART's 80 percent of the shortfall, consistent with the long-term BART car replacement agreement.
3. Defer third Cycle programming to the transit capital shortfall beyond the BART commitment noted above until there is resolution among members of the Partnership about the FTA Formula funds. A placeholder will reserve this funding in the Third Cycle policies, which will be programmed at a later date, once resolution is reached.

5. TLC/HIP

The TLC/HIP category encompasses TLC/HIP Planning Grants, Regional TLC Capital Grants, Housing Incentive Program, the County TLC/HIP, and the nascent Station Area Plan Program. Based on T2030, MTC reserves $27 million annually in STP, CMAQ, and TE funds for this program. However, in recognition of the economic situation the region faced two years ago, only $36 million was programmed in Second Cycle, with $18 million deferred to Third Cycle. Therefore, in Second Cycle, $72 million ($27 million for the two years plus $18 million deferral) was identified as the funding target for Third cycle.

The cost of preparing Station Area Plans is roughly $500,000 per station, as was not included in the original scope of the TLC/HIP program. There have been 34 stations identified along the corridors that do not presently meet the Resolution 3434 thresholds. Therefore, the cost for the Station Area Plan program is roughly $17 million with $2.8 million funding the pilot program in Second Cycle. The remaining cost to cover the Stations Area Planning effort is roughly $14 million.

Proposal:

1. Undertake 24 plans during the Third Cycle period, reducing the funding level in the near-term to roughly $9 million. MTC staff is proposing to increase the TLC/HIP set-aside by $2 million to fund the near-term plans, with the remaining $7 million coming from the existing funding levels established for the TLC and HIP programs.

6. Regional Bike/Pedestrian Program

This program was envisioned to receive $32 million for the four- year period from FY 2005-06 through 2008-09. For the Second cycle, a single call for projects for the regionally competitive program took place last winter and $8 million (25% of the program) was programmed in June 2005. In the Third Cycle, the remaining $24 million ($8 million was deferred from Second cycle) will fund the County Regional Bicycle and Pedestrian Program, being programmed at the discretion of the county Congestion Management Agencies.

Proposal:

1. Continue commitment of $24 million for Regional Bike/Pedestrian Program in Third Cycle.

7. Lifeline

With the Commission action in April 2005, the Lifeline program received both a funding boost and an administration overhaul with responsibility for administration shifted from MTC to the Congestion Management Agencies. In Cycle 2, fund swaps from the Clean Air Program yielded $2.5 million in CMAQ funding for lifeline. Resolution 3615 did not identify any funding commitments for Lifeline in Third Cycle. However, the $15 million program approved in April contemplated an additional $4 million from Third Cycle, subject to completion of Third Cycle programming.

Proposal:

1. Replace the $4 million of CMAQ funds proposed for the Lifeline in Third Cycle consistent with MTC Resolution No. 3615; instead use either State Transit Assistance or Job Access and Reverse Commute funds to keep the Lifeline Program at the $15 million level.

Schedule
Outlined below is the schedule for the development of the Third Cycle funding policy. Commission adoption of the Third Cycle policies will be postponed one month until their November meeting. This will allow staff to use more definitive FHWA revenue numbers, as a basis for the Third Cycle policies. This schedule also takes into account discussions at the Partnership level, with other MTC Committees, and sufficient opportunities for the public to comment.

Schedule and Next Steps for Third Cycle Funding Policy

July - October 2005	Partnership Committees review TEA 21 Reauthorization and Potential Third Cycle Issues & Policies
Wednesday, Nov. 2, 2005	PAC Referral of Third Cycle Policies to the Commission for Approval
Wednesday, Nov. 16, 2005	Commission Adoption of Third Cycle Policies

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