

**Programming Balance (Estimated at \$210 Million) in FY 2006-07 and FY 2007-08
FTA Formula Funds**

In March 2005, MTC made a call for projects to program three years of FTA formula funds. The call for projects resulted in a surplus of funds. After applying the standard Transit Capital Priorities criteria, projects eligible for programming totaled only \$732 million. This left roughly \$210 million in surplus funds for future programming. New policy guidelines were developed to fully program the funds.

The surplus funds will be prioritized for programming as follows:

- \$1 million will be set aside for developing an improved transit capital inventory.
- Caltrain's project caps for two of their high scoring fixed guideway projects will be increased to \$13 million in FY 2006-07 and FY 2007-08 only, resulting in an \$11 million increase in funding for Caltrain.
- 20%, or \$39 million, of the balance of funds will be set aside for future high scoring capital projects, prioritized as follows:
 - o First priority will be projects required to meet the California Air Resources Board's Transit Fleet Rule pertaining to diesel bus engine emission standards, which was revised in October 2005. The rule change will allow operators to procure diesel buses providing that an older vehicle is retrofitted with an emission reduction device. Eligible projects include buses required to meet fleet average emission standards and emission-reducing filters required as mitigation for new bus purchases.
 - o Second priority will be projects to meet high priority security needs not otherwise funded by Department of Homeland Security (DHS) grants. Security projects must be consistent with projects submitted for DHS consideration, and project sponsors receiving surplus funds for security projects must fully fund the project by using a portion of their surplus funds distributed based on the Transit Capital Priorities 10% flexible set-aside formula (see below) or another verifiable funding source. Project sponsors eligible to receive these funds include AC Transit, ACE, BART, Caltrain, GGBHTD and SF Muni.
 - o Third priority will be other unexpected score 16 needs.
- The remaining 80%, or roughly \$162 million, will be distributed based on the Transit Capital Priorities (TCP) 10% flexible set-aside formula. Project sponsors with score 16 shortfalls in Transportation 2030 will prioritize score 16 capital projects. These operators include AC Transit, BART, GGBHTD, and Vallejo. The 10% flexible set-aside formulas are shown on page 20 of 30 of Attachment A, herein.

- Projects programmed in the initial program approved by the Commission will have priority over surplus-funded projects if reductions in the program are necessitated by reductions in the region's FTA formula funds.