

Transportation Committee

Meeting Date: October 1, 2020

Agenda Item No. 5



2020 SACOG Regional Funding Round Budget

Action

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Approved by: Matt Carpenter

Attachments: Yes

1. Issue:

Staff has completed the latest revenue forecasts for the 2020 SACOG Regional Funding Round and is providing a draft budget for the programs included in the board-adopted 2020 Regional Funding Round Policy Framework.

2. Recommendation:

None, this is for information and Transportation Committee discussion. Staff anticipates bringing a final budget recommendation through the September board cycle for action.

3. Background/Analysis:

Over the last 15 years, SACOG has conducted regional funding rounds every two or three years. The focus and selection process evolve over each round in response to board direction and input from stakeholders across the region. Projects are selected to receive flexible funds for road, transit, bicycle, and pedestrian projects within the four-county region (Sacramento, Sutter, Yolo, and Yuba counties). The funding round is one of SACOG's most impactful means to support the implementation of the Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS).

The flexible funds recommended for programming are primarily derived from state and federal transportation revenue sources. Based on the latest revenue forecasts, and an analysis of needs to maintain good regional project delivery, **staff recommends programming \$193.9 million through the 2020 regional funding round.** The proposed programming will support competitive regional funding programs and fulfill other agency financial commitments.

The proposed funding round budget is primarily made up of federal and state funds, but also includes SACOG Managed Funds that provides programming flexibility similar to a locally-derived revenue source. Two years of new federal and state revenues are included in the draft 2020 round budget. This matches the anticipated two-year period before SACOG holds the next funding round in 2022. Additional details on the revenue sources summarized below is available in **Attachment A.**

2020 Funding Round Budget – Revenue Sources:

- **\$110.7 million in federal revenues** from three sources:
 - Regional Surface Transportation Program (RSTP)
 - Congestion Mitigation Air Quality (CMAQ)
 - Highway Infrastructure Program (HIP)
- **\$81.1 million in State Transportation Improvement Program (STIP)**
- **\$2.0 million in SACOG Managed Funds**

4. Discussion/Analysis:

Table 1 provides recommended funding levels by program and offers a comparison between 2020 to the last two funding rounds in 2018 and 2019. The following sections offer background on each of the funding target line items.

Project-Based Programs & SACOG Financial Commitments. The policy framework staff item for the 2020 regional funding round offers additional details on the investment areas summarized below.

- **Regional Program.** Staff recommends that 85 percent of the traditional competitive program funding total be directed to the Regional Program. This proportion is equivalent to the percentage share from the 2018 round while the 2019 program was 100 percent of the competitive funding. The 2020 Regional Program is streamlined from the three program categories in 2019 to just two categories in this new round. The **Transformative** category is for system expansion projects and for any capital project or project development requests \$5 million or greater. The second category, **Maintenance & Modernization**, is for non-expansion capital projects and project development requests less than \$5 million. The Regional Program also includes a new revolving local match fund and a project gap funding program.
- **Rural-Urban Connections Federal Funds Exchange.** Staff recommends a total funding level of \$1.5 million for the 2020 round that is nearly 50 percent higher than the \$1.1 million committed through the 2015 and 2018 regional funding rounds. Also known as the RSTP Exchange, these funds provide a non-federal revenue source to implement projects sooner and with fewer delivery complications. Increasing the Exchange for the 2020 round expands eligibility beyond rural counties to include small communities and will provide repair funding for a limited number of roadway segments that are not federal-aid eligible.
- **Innovative Mobility.** A \$3m annual funding level (\$6m two-year total) to support SACOG, external partners, and stakeholders to plan and pilot mobility projects and programs that reduce vehicle miles traveled and greenhouse gas emissions. A 50/50 budget split between competitive grant opportunities and SACOG-led projects and programs is anticipated. Programs include Civic Lab and the regional telework initiative. Staff will bring forward a two-year program framework for recommendation in Spring 2021 which will include program goals, strategies, and budget details. Staff will provide regular progress reports to committees.
- **Green Region & Electrification Projects.** As one of the streamlining recommendations, staff recommends discontinuing the stand-alone Green Region program from the 2018 round. Funding requests for electrification-related capital or project development efforts will instead be eligible in the Regional Program.

Place-Based Programs. These programs are distinct because they focus regional investments into specific geographies. The policy framework staff item for the 2020 regional funding round offers additional details on the investment areas summarized below.

- **Community Design & Green Zone Infill.** Staff recommends that 10 percent of the traditional competitive program funding total be directed to Community Design. This proportion is equivalent to the percentage share from the combined total of the 2018 and 2019 rounds. Strategies from the Green Means Go initiative will be incorporated into the Community Design program. Specifically, one component of the program will provide an opportunity to leverage state funds to accelerate infill in locally-identified Green Zones.
- **Disadvantaged Communities Pipeline Projects.** The draft programming target includes \$3.0 m towards a new program to support community-based planning efforts in disadvantaged communities throughout the four-county region. The purpose of this program is to engage with communities of color and low-income communities meaningfully to understand their transportation challenges and together identify solutions that benefit disadvantaged communities and to begin to build a shelf of community-led and impactful projects for future funding opportunities. The recently launched board working group on race, equity, and inclusion will inform more detailed program recommendations this winter.

Other Financial Commitments

- **SACOG Funds Management & Technical Assistance.** The budget continues practice of programming up to 5 percent of the available STIP as Planning & Program Management (PPM) funds to SACOG and 1 percent of the total federal RSTP for the similar funding management and technical assistance efforts. In order to reflect potential changes in the total federal funds available and anticipated color-of-money budget shifts, the final total for funds management and technical assistance will be finalized in the spring of 2021 at the time board acts on the funding award recommendations.

5. Fiscal Impact/Grant Information:

The recommended \$193.9 million budget provides an estimated \$4.7 million (2.4 percent of the budget) for SACOG planning, funds management, and ongoing technical assistance activities.

6. This staff report aligns with the following SACOG Work Plan Objectives:

Goal 1 : Advance Economic Prosperity

Objective 1: Invest in and protect the transportation infrastructure needed to implement the region's economic prosperity plan.

Objective 3: Improve people's ability to get to jobs, schools, and other economic opportunities.

Goal 2 : Connected Communities

Objective 1: Develop more sustainable sources of future transportation funding while winning new competitive state and federal transportation grants.

Objective 3: Prioritize cost-effective transportation investments that enhance mobility while improving safety, air quality, and the condition of transportation infrastructure and assets.

Table 1: 2020 Programming Targets & 2018+2019 Programming Actuals

| | Prior Rounds 2018 + 2019 Round: Actuals | New Round 2020 Round: Draft Targets | |
|---|---|---|---|
| Project-Based Programs | | | Notes: |
| Regional Program - including both Transformative and Maintenance & Modernization categories | \$158,706,000 | \$163,459,100 | 90% share of competitive application funding (CD plus Regional) for the 2020 round. The Regional Program provided 100% of the competitive funding in the 2019 round and was 85% of the 2018 round. |
| Green Region - Electrification Projects | \$11,670,000 | | 2018 Green Region program consolidated into the Regional Program for 2020. |
| Innovative Mobility , including TDM & Civic Lab pilots | \$6,000,000 | \$6,000,000 | proposed 2020 round with the same total level of funding as in the 2018 and 2019 rounds. |
| Rural-Urban Connections Federal Funds Exchange | \$1,106,300 | \$1,500,000 | 2020 total recommended to be nearly \$400,000 higher than in the 2018 round. Not offered in 2019 round. |
| Spare the Air - a required Air Quality Transportation Control Measure | \$2,826,000 | - | The 2018 and 2019 rounds programmed the 6 years required through FY 2024. |
| Sub-Total | \$180,308,300 | \$170,959,100 | |
| Place-Based Programs | | | Notes: |
| Community Design , including some Green Zone investments. Leveraged state REAP funds not counted in total. | \$18,250,000 | \$18,162,000 | 10% of competitive application funding (CD plus Regional Program). Community Design was not a program category in 2019 so the combined \$ total of 2018 and 2019 rounds resulted in a 10% share of competitive program funds (CD plus Regional) |
| Equity - Disadvantaged Communities Pipeline Projects Program | | \$3,000,000 | Guaranteed funding to all member agencies in the four-county region. Managed Funds as likely primary revenue source. |
| Sub-Total | \$18,250,000 | \$21,162,000 | |
| Other Financial Commitments | | | Notes: |
| SACOG Funds Management & Technical Assistance | \$2,181,000 | \$1,648,000 | comprised of state PPM (5% of STIP) and federal (1% of RSTP) |
| | | | |
| GRAND TOTAL | \$200,739,300 | \$193,769,100 | |

Attachment A: Additional Background on the Fund Estimate

A relatively conservative approach is used to set funding levels for this initial draft 2020 round budget because of current uncertainties in forecasting both state and federal revenues.

State Transportation Improvement Program (STIP) funds:

The draft 2020 budget reflects a 20% reduction in the STIP revenues forecasted for the two years of new programming through the 2020 round. The reduction is in response to the latest estimates from the California Transportation Commission (CTC) for the next STIP that will be adopted in 2022.

Even after incorporating a lower estimate, the STIP comprises a higher share of the budget than the prior two funding rounds. This is largely because over the last four years the board has advanced nearly \$40m of projects from the STIP using CMAQ and RSTP funds through the Tier 3 loan program. These requests come in because STIP requires to wait for their program year to receive an allocation. Because of this, the STIP is less flexible than the federal revenues SACOG manages.

Each spring there has been an opportunity for project sponsors to borrow CMAQ or RSTP funds to repay the with STIP funds or other funds. SACOG weighs requests for Tier 3 Loans based on regional delivery status, sponsor needs, and other considerations. SACOG has used this to successfully advance projects and increase programmatic delivery. Providing future Tier 3 loans that trade STIP funds for federal funds is anticipated to continue, however, the number of these loans may become more limited with a higher share of STIP revenues comprising the budget.

Federal funds:

It is unclear when Congress will reauthorize the federal transportation bill (FAST Act) that expires in September, and what level of funding will be available when they do eventually act. Based on precedent, it is most prudent to assume for now that Congress may pass a series of continuing resolutions to extend the authorization of federal funding at current levels. As a result, the federal revenues are estimated to be steady, but flat, with no real growth in this draft 2020 budget. It should be noted, however, that a good justification for increasing the federal fund estimate in the fall if Congress does reauthorize the FAST Act with an increase in the federal formula funds or passes a federal infrastructure stimulus bill.

The one exception to the two-year revenue approach for the 2020 round budget is in the federal Highway Infrastructure Program (HIP) funds. Three years of prior year HIP revenues were left unprogrammed in the last funding round draft 2020 funding round budget includes these older revenues but takes a conservative approach by not including new HIP revenues beyond fiscal year (FY) 2020 because it is unknown if the funds would be part of a continuing resolution to extend the FAST Act.

Increasing the 2020 funding round budget modestly would offer additional award opportunities for project sponsors and benefit the agency's project delivery efforts. Specifically, an increase in the amount of federal funds available for new programming would help avoid some of the scheduling challenges from having a high share of relatively inflexible STIP funds currently. Most of SACOG's STIP programming capacity is likely to be after FY 2024.

Another example of benefit of from programming up to three years of federal funds is the opportunity to increase the number of multi-round funding commitments in the Transformative category of the Regional Program. By creating a larger pool of programmed projects that are eligible to spend regional

funds each year, there would be a larger pipeline of new projects to draw from when developing the annual regional delivery plan. Historically, this has resulted in successfully positioning our region to meet delivery targets and capture additional federal funds obligation authority from other regions in the state.

Because of the current challenges in forecasting federal and state revenues, staff recommends continuing to monitor the situation and may return to the committee in October or November with a revision to the current revenue forecasts if it is prudent. At this time, the most likely update to the staff recommendation would be increase the amount of federal funds available for programming due to the reasons identified.