

## 2022/23 Regional Funding Round Policy Framework - Redlined

### (A) Investment Priority

### (B) Application Process

### (C) Project Selection Process

Board direction, external stakeholder input, and staff analysis over the last funding cycle (2020) resulted in a board-endorsed regional funding policy framework that responded to substantial feedback within the themes of investment priority, application process, and project selection process. Staff proposes using this framework as the basis for the upcoming 2022/2023 regional funding round, with minor revisions that better align with external funding opportunities, respond to some lessons learned from the prior cycle, and continue to work on ways to incorporate the board's commitment to race, equity and inclusion. These recommendations are intended to successfully implement a new funding round comprised of five primary programs: **Transformative, Maintenance & Modernization, Community Design, Innovative Mobility**, and the **Engage, Empower, Implement** program, as well as meet other smaller existing funding commitments.

### (A) Investment Priorities:

#### Maximize our ability to meet ambitious regional policy goals and commitments

- **Meet federal and state performance objectives and policy goals.** Prior funding rounds have successfully helped the region meet federal and state performance targets, including safety and greenhouse gas emission reductions. These are critical requirements that the region must show progress on to remain competitive for state and federal funding.
- **Position region for competitive state and federal funding.** SACOG's technical assistance and performance-based planning reputation has supported successful federal and state grant applications. Most competitive programs are increasingly looking for equity-focused and climate focused investments.
- **Maintain excellence in regional project delivery record.** As a top state leader, the SACOG region has secured over \$20 million in additional federal funds obligation authority for project sponsors since 2018 through emphasizing programming readiness and active delivery coordination with project sponsors.
- **Implement policies (17 through 25) from the 2020 MTP/SCS.** The plan's emphasis on fix-it-first system maintenance needs and expanding multi-modal travel options were reflected in the regional funding awards for past cycles. Accelerating infill, access to economic opportunity, and prioritize benefit to disadvantaged communities are among the policy priorities.
- **Integrate racial equity considerations more fully into regional investment priorities.** Elements include the new Engage, Empower, and Implement program; affirming equity as a performance outcome in the core funding programs; continuing the successful pilot that waives match requirements for projects that serve communities that experience the greatest systemic inequities; and, building a richer dataset through the Project Performance Assessment toolkit for use by applicants and the evaluation review groups.

## Projects and Place

### Project-Based

- Transformative
- Maintenance & Modernization
- Revolving Match Fund

### Place-Based

- Community Design
- Engage, Empower, Implement

### Other Funding Commitments

- Mode Shift Program (formerly Innovative Mobility)
- RSTP Funds Exchange
- SACOG Funds Management and Technical Assistance

The below describes each of these programs in turn.

### Provide investments for both large and small projects across the region

- **‘Transformative’** for all system expansion projects and for larger (\$5m +) non-expansion projects that have significant regional benefit. Typically, the project implementation risks are higher, but these projects often provide notable regional benefits and the performance benefits can be measured with more confidence. Selection criteria focus on: (1) performance benefit, (2) cost-effectiveness, including financial leverage, and (3) project delivery readiness

**Key objectives:**

- **Offer more large, one-time funding awards.** Prior funding rounds emphasized small/medium sized awards (typically \$5m or less), but this category would not have that limitation. As a result, some larger one-time project awards may be recommended if performance benefits are high and regional benefit is significant.
  - **Incentivize sponsors to initiate larger, longer-term implementation projects with regional benefits.** Application and project selection refinements provide opportunities for a limited number of larger non-expansion projects to get multi-round (>2 year) funding commitments. These larger scale projects typically have a more regional impact. Examples include intelligent transportation systems (ITS) along a long corridor, or a larger urban complete streets/rural corridor improvement that connects multiple jurisdictions.
- **‘Maintenance & Modernization’** for non-expansion projects less than \$5 million that improve the management and condition of existing transportation assets. Typically, these projects have fewer implementation risks but provide localized performance benefits that are more difficult to measure. Selection criteria focus on: (1) performance benefits, including added value from modernization features, (2) cost-effectiveness, including financial leverage, (3) project delivery readiness, and (4) agency CIP priorities.

**Key Objectives:**

- **Create a pipeline of smaller projects that can be implemented relatively quickly to boost the economy.** These are typically cost-effective local agency investment priorities that are ready to build now. All are exempt from a new air-quality conformity determination.
  - **Support the MTP/SCS ‘fix-it-first’ priority and enhance benefits to disadvantaged communities.** All projects improve existing transportation assets and, therefore, are more focused on Centers & Corridors and Established Communities where the benefits to disadvantaged communities are generally higher.
  - **Provide more certainty for project sponsors.** Application process and project selection process refinements help better match local agency CIPs to regional funding opportunities, and make sponsor priorities a key consideration for the award recommendations.
- **Revolving Local Match Fund.** Committing a strategic amount of regional funding towards local match needs on competitive federal and state grants should lead to more successful applications being submitted. The board has already approved the first of this round’s revolving local match fund and staff will release a second call in late 2022.

**Key criteria:**

- Create process to recirculate match contributions to other sponsors if an application is unsuccessful.
  - Target specific federal and state grant programs with ~~\$2m~~\$4m caps per application.
- ~~Project Funding Gaps. The recent economic volatility is creating budget gaps for numerous projects with prior SACOG funding. This program provides strategic funding to cover some of~~

these needs and ensure near-term projects to stimulate the economy move forward. Similar to the match fund, the challenge is making the most of limited available funding. **Key criteria:**

- Limit to more than 5% of the Regional Program budget and \$1.5m cap per project request.
- Project must have had a prior regional funding award and sponsor must provide a strong case as to the funding gap being unanticipated (i.e., solid work on the engineers estimate and other project development documentation completed)
- Must be spent on projects scheduled for construction within a year of the award.

### Support more place and community based planning and implementation

- **Community Design: Accelerate Infill and provide cleaner transportation options**
  - Longstanding core program to implement Blueprint principles and placemaking.
  - Allows for leverage between Community Design transportation projects and non-transportation investments funded through Green Means Go; together these programs can help attract state or federal economic recovery funds as well as private investments that leverages SACOG funds.
- **Engage, Empower, Implement**
  - New program that will establish an outreach and engagement process to co-design projects across the region that are focused on communities that experience the greatest systemic inequities.
  - EEI will focus on the development of a process for creating equitable projects by working with communities early on and developing projects that center community priorities, focused on prioritizing racial equity.

### Other Funding Commitments

- **Mode Shift Program.** Supports efforts by SACOG and external stakeholders to complete a broad range of activities, including TDM programs, telecommuting incentives, and Civic Lab. This program draws on funds allocated through previous funding cycles.
- **Rural RSTP Fund Exchange** These funds provide a non-federal revenue source to eligible rural counties. The exchange allows sponsors to implement projects sooner and with fewer delivery complications.
- SACOG Funds Management and Technical Assistance

## (B) Application Process:

### Complete advance consultations with project sponsors

- Before applications are submitted, **SACOG staff and external working group member(s) work with project sponsors to review their transportation investment needs** for a two to five-year period. Consultation focuses on sponsor priorities in context of the funding round policy framework.
- **Use the consultations to identify reasonable context-sensitive modernization features** (e.g., safety or multi-modal improvements) for project sponsor applications while also offering SACOG staff input on the performance benefit and competitiveness of potential project applications.
- **Engage potential new project sponsors, including disadvantaged communities, who were**

**underrepresented in previous funding rounds.** Focus on technical assistance that offers capacity building benefits.

#### Formally incorporate project sponsor priorities into the process

- **Formalize process where project sponsors rank their priority of their applications.** Advance consultations with SACOG staff take place first.
- **Project sponsor priority in the Maintenance & Modernization program.** Sponsor priorities are a priority selection criterion in this category for member agencies and transit districts. Rankings from other special districts and Caltrans must be coordinated with the relevant member agency.

#### Simplify and streamline the overall process

- **Program Simplifications**
  - Continue streamlined improvements from prior cycle
- **Shorter Applications**
  - Explore using a simplified application template, such as through seamless docs
- **Fewer resources required of Project Sponsors**
  - Projects that applied in prior round can provide simple updates, not full application, to be considered for funding in 2020.
  - Reduce from 3 to 2 the number of performance outcomes the sponsor responds to in the application for a new project. Also, SACOG staff runs the project performance assessment (PPA) for projects, eliminating the need for additional data collection by project sponsors.
  - Do not have sponsors fill out SACOG-specific exhibits – instead, just use the state’s uniform project programming request (PPR) for funding and do not require CMAQ calcs to be provided.

### (C) Project Selection Process:

#### Broaden involvement opportunities for project evaluation

- **Project sponsors offered additional opportunities to serve on working groups.** This requires managing against conflicts of interests from project sponsors also applying for funding awards.
- **Further integrate the engineers review group into the overall project evaluation effort.** For example, ask the engineers to assess both deliverability and cost effectiveness of projects.
- **Offer interview stage to applicants.** Opportunity to review project performance outcomes and project risk assessment review before staff recommendation is made.
- **Align Project Sponsor Priorities for “Maintenance & Modernization” Investments with MTP/SCS Policy Commitments.** This is reflected through emphasizing fix-it-first system maintenance improvements that also support multi-modal travel options.
- **Benefits to communities that experience the greatest systemic inequitiesdisadvantaged communities?: equity as a program wide performance outcome and reflected in updated Project Performance Assessment tool.**

#### Increase opportunities for “Transformative” project investments

- **Award a limited number of multi-round (> 2 years) funding commitments on non-expansion projects that have strong performance outcomes and provide high regional benefit.** These awards would save time and money from reducing the frequency of segmenting a project or

multiple phases of investment along a single corridor and play a role in accelerating infill.

- Similar to multi-round funding commitments, **projects receiving a large Transformative Program award within a single round must fully exemplify high performance and support for board-adopted MTP/SCS policy priorities.** As a condition for a large award, the board may require, in some instances, a project sponsor to forgo applying for funds in the next funding round.

#### Ensure rigorous deliverability review & risk assessments of applications

- Programming risk assessments to be completed by multi-disciplinary working group members with early feedback to project sponsors on any issues identified.
- Risk assessments are especially important because delivery failure of larger projects has an outsized impact on maintaining the region's strong delivery record.