



Land Use & Natural Resources Committee

Meeting Date: May 7, 2020

Agenda Item No. 4

Policy Framing for 2020 for SACOG Regional Funding Round

Information

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Attachments: Yes

1. Issue:

At the onset of each regional funding round the SACOG board engages in a policy discussion on possible approaches in awarding the agency's discretionary transportation funding.

2. Recommendation:

None; this is for information only.

3. Background/Analysis:

Over the last two decades SACOG has conducted competitive regional rounds to fund transportation projects within the four-county region (Sacramento, Sutter, Yolo, and Yuba counties) that help implement the Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS). Attachment A summarizes the priority policy areas for the recently updated 2020 MTP/SCS update. Transportation projects in Placer and El Dorado counties have separate funding programs through Placer County Transportation Planning Agency and El Dorado County Transportation Commission.

SACOG typically holds the four-county funding round every two years to pool enough revenues to make available at least \$100 million in funding as well as to recognize the significant level of effort required for all involved parties. For the prior regional funding round, the SACOG board acted to program most funds (\$135 million) in 2018 and take a separate action in 2019 on the remaining round balance (\$60 million). The board took this multi-year approach due to the risks at the time to the state sources of funding (namely, the Senate Bill 1 repeal risk). Both the 2018 and 2019 funding round staff recommendations received a unanimous board action on the staff recommendations for funding awards.

Following the traditional two-year cycle, SACOG is holding a funding round in 2020 which will program the agency's next pooled share of regional discretionary transportation revenues. The purpose of the May staff item is for the board to provide direction to staff in developing a draft policy framework for the 2020 funding round. Staff will synthesize this month's board direction and present a staff recommendation for board consideration and action in June. A draft fund estimate will also be part of the information provided.

4. Discussion/Analysis:

The focus and selection process of each SACOG funding round evolves in response to board direction and input from stakeholders across the region. To introduce each round, staff provides a staff report to help frame

the policy issues and inform the board's policy deliberation. This staff report poses some key questions with policy trade-offs for the board to consider. The staff report also describes several new issues that relate to the 2020 funding program.

Prior to 2019, the regional funding round used a competitive policy-focused approach for more than ten years. In terms of process, the board first approves a policy framework for the funding round that also establishes screening and selection criteria. Staff then releases a call for project and project sponsors submit applications that address the criteria for evaluating relative project benefits. SACOG then convenes working groups comprised of SACOG staff and external experts to evaluate the submitted projects. Finally, staff presents a recommendation for funding awards to the board for consideration and program adoption. At the onset of the 2019 funding round, the board engaged in a two-month policy discussion on possible approaches to implementing the relatively small \$60 million funding round. The board explored the pros/cons of various options along a policy spectrum between a fully competitive and a fully formulaic funding round. Ultimately, the board adopted a hybrid policy framework that was largely competitive with streamlined applications, but also offered guaranteed funding for a relatively small program focused on planning and project development investments.

While the regional funding rounds have evolved each cycle, there are four durable principles that continue to guide SACOG's regional investments. Each of these principles had successful outcomes through the last two funding round cycles.

- **Implementing policies from the MTP/SCS.** The plan's emphasis on fix-it-first system maintenance needs and expanding mobility options were strongly reflected in the regional funding awards for the 2018 and 2019 cycles.
- **Meeting federal and state performance objectives and policy goals.** Funding awards in 2018 and 2019 supported the region's achievement of federal and state performance targets, including safety improvements and greenhouse gas emission reductions. These are critical requirements that the region must show progress on to remain competitive for state and federal funding.
- **Positioning the region for competitive state and federal funding.** SACOG's technical assistance and performance-based planning reputation supported successful state grant applications that were awarded more than \$120 million in transportation funding awards since 2018. These are critical requirements that the region must show progress on to remain competitive for state and federal funding.
- **Maintaining 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.

Two new major issues have emerged since the implementation of the 2019 funding round. First, the federal government's SAFE rule has placed the region in an air quality conformity lockdown. During this time, many existing or new system projects that are non-exempt from a new federal air quality conformity analysis may get slowed or stopped because major amendments to our Metropolitan Transportation Improvement Program (MTIP) are not possible. The risk to the region is that we will not be able to continue advancing a pipeline of projects for construction that sustains our region's strong project delivery record.

The other new issue that has emerged is the rapid decline in regional economic conditions since the COVID-19 pandemic began. Disruptions from the crisis are further increasing labor and material costs that complicate

timely construction of transportation projects. Also, volatile revenues, such as sales and fuel taxes, are anticipated to remain lower for the foreseeable future. Local agency budgets will likely remain under strain so local match options will become even more scarce. Altogether, the disruptions from the pandemic and associated resource constraints may limit the ability for local agencies to devote staff time to quality application development or make steady progress on project delivery efforts.

In recent months, staff has been gathering input from individuals and small groups on SACOG's funding rounds. Most recently, these outreach efforts included a series of workshops that were held during the week of April 20. One was targeted to stakeholders from agencies in Yolo County, the second for agencies in Yuba and Sutter counties, and the third for Sacramento County agencies. Stakeholders from nearly all member agencies in the four-county region, along with many other project sponsors participated. Representatives from public works departments, Caltrans, and special districts including transit and air quality management agencies offered insightful input. The workshops focused on three areas: investment priorities, project identification, and project selection. Attachment B provides a summary of the input received.

Many stakeholders have expressed an interest in new policy options for the 2020 funding round because it is expected to be much larger than the 2019 funding round and local resources continue to be more constrained. Supportive comments have been received on the outcomes from the last two funding rounds.

Highlights include:

- Shorter applications that require fewer exhibits and attachments saved time and effort.
- The Project Performance Assessment (PPA) data tool reduced the need for project sponsors to collect data or prepare costly technical studies. Also, the PPA data can be used for other grant applications.
- Similarities in the guidelines of SACOG grant programs with federal and state competitive grant programs saves a project sponsor time and effort in preparing multiple applications for funding.

Comments of concern have also been raised by some sponsors about the prospect of a 2020 funding round that reverts to being fully competitive. These concerns include:

- Lack of certainty on the level of funding awards over time can create challenges in managing the implementation of multi-year capital improvement programs;
- Top local priorities are sometimes but not always reflected in the regional funding awards received;
- Time and resources required to prepare a successful application;
- Project selection efforts led by SACOG are resource intensive and take considerable time;
- Opportunities to provide input into the evaluation of projects for awards is too limited for some, while some also believe it's unclear why some projects are awarded funds, and others are not.

Based on stakeholder input and early staff efforts to develop funding round policy options, a number of key questions have been identified:

- **What interest does the board have in a potential stimulus program that responds to declining economic conditions and the air quality conformity lockdown?** Stakeholders across the region have expressed interest in a stimulus program as a core element of the 2020 funding round, especially if eligibility is broad, projects can move to construction quickly and the process is streamlined. The policy trade-off is having adequate funding for regionally significant projects if the stimulus program is not balanced with other investment needs.

- **What interest is there for staff to develop an option for the funding round that falls between the two extremes of all-competitive or all-guaranteed?** Some stakeholders have expressed strong interest in a guaranteed funding option for a portion of the upcoming funding round. Many of these same stakeholders agree with staff that such an approach would still need to have policy conditions to support MTP/SCS implementation and meet critical state and federal performance targets.
- **What interest does the board have in aligning the focus of the Community Design program with the six-county Green Means Go initiative?** Coordinating these programs may help attract state economic recovery funds as well as private investments that can leverage SACOG funds. All SACOG jurisdictions now formally support Green Means Go, many have identified areas within their jurisdictions for focused investment and revitalization including many of the region's commercial corridors. Coordination of these programs would also allow for additional leverage with the region's forthcoming housing planning funds and support some of the early work from the board's Commercial Corridor Task Force.
- **Should the funding round continue to focus on a broad range of smaller project awards (under \$5 million) across the region, or instead focus more on funding fewer projects that generally larger and regionally significant?** Agencies representing smaller or more rural jurisdictions have expressed interest in maintaining the emphasis on smaller project awards. Larger agencies in more urban or suburban settings are more mixed in their interest in changing the focus of the funding round investment priority.
- **How much emphasis should a 2020 regional funding round framework place on process improvements?** There is widespread stakeholder support for streamlining the project identification and evaluation process. Staff recognizes that shortening applications and streamlining the selection process needs to make sure there is enough documentation and deliberation to effectively evaluate projects for awards that offer the best performance outcomes.

Staff will synthesize the board's direction in May to develop and present a 2020 regional funding round policy framework and fund estimate for board consideration and action in June. The recommendations will support the four principles for regional funding. Additional coordination with project sponsor stakeholders will inform this work and a fund estimate will be prepared that reflects the latest revenue forecasts.

5. Fiscal Impact/Grant Information:

The staff work for this item is included in the adopted Overall Work Program.

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