



Identification of Current System Challenges: Bay Area Perspective

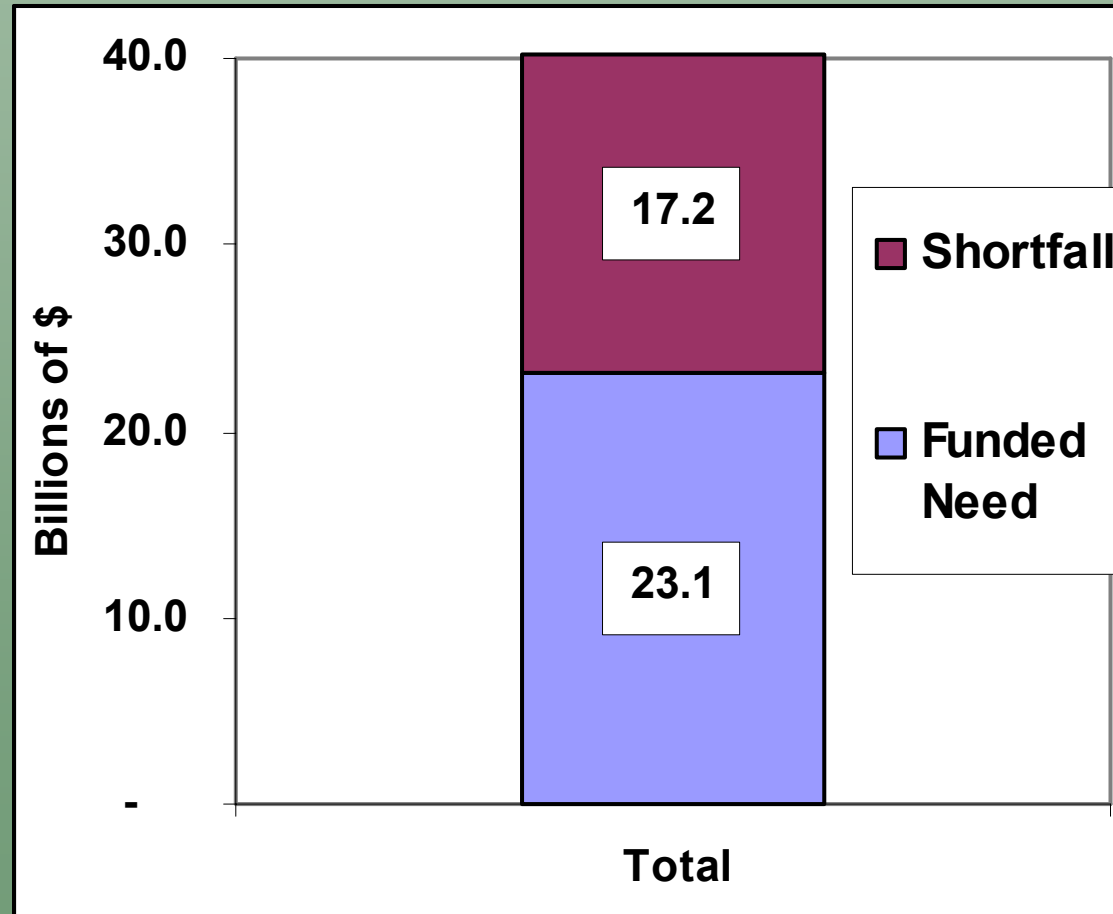
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Bay Area: Transit Rehab Needs Are Significant

- In 25-Year Plan transit capital funding shortfall near \$17 Billion
- Total transit asset replacement cost = \$40 Billion
- After dedicating \$23 Billion, sizeable shortfall remains



Bay Area: Transit Expansion Needs Significant

- Region's expansion program totals \$18 Billion
- Current budget shortfall is near \$4 Billion
- Several projects require Prop 1B and STIP to complete their funding plan – cashflow a major issue



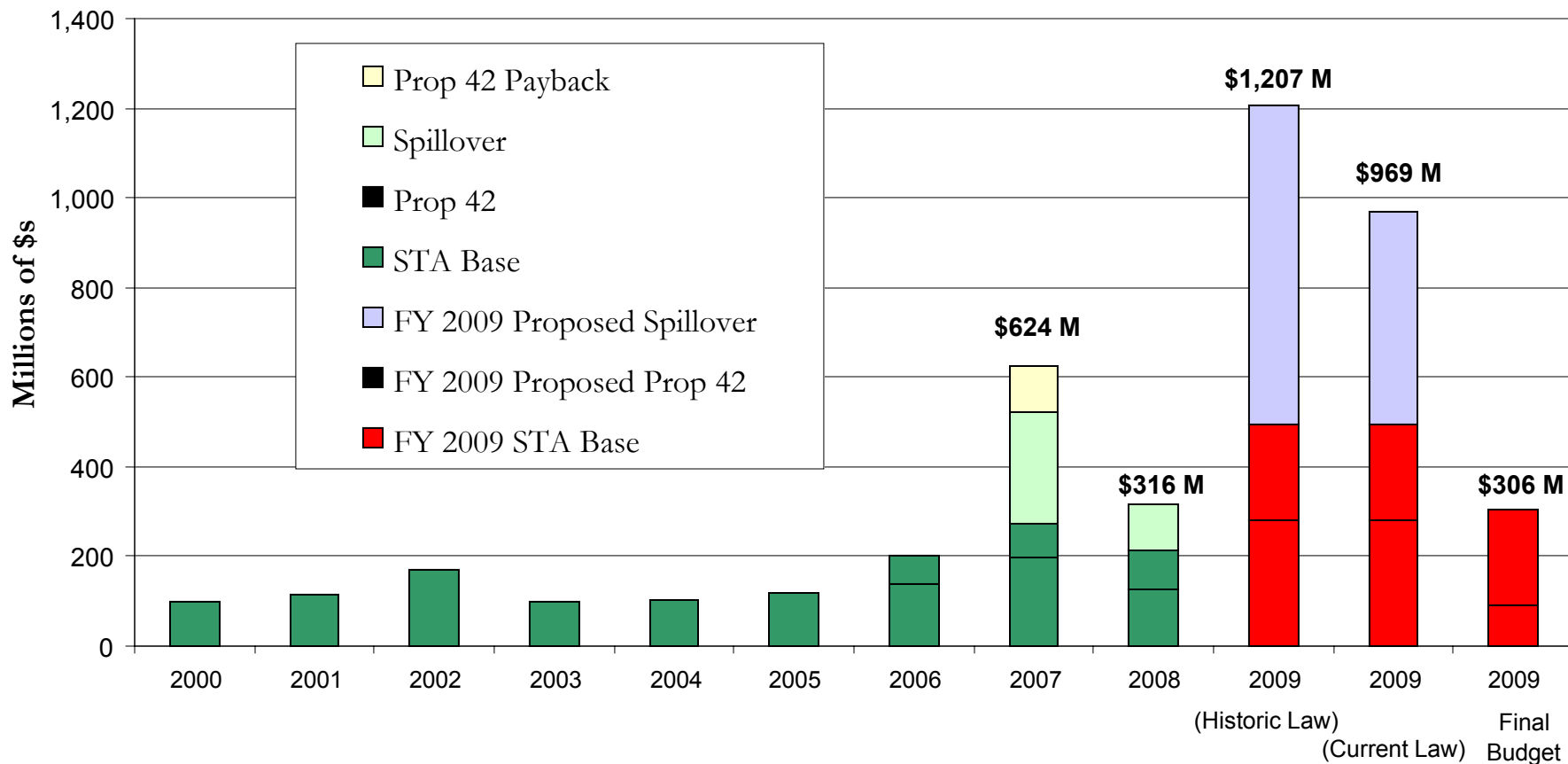
State Funding Challenges

- 1. STIP, STA, and Prop 1B All Unpredictable**
 - **All: Availability is hard to predict from year to year and woefully inadequate compared to need – making project delivery or procurements tricky.**
 - **STIP: “Color of Funds” always changing**
 - From Federal, State Highway, PTA, and TIF
 - Most sources have different requirements and processes
 - Used to be limited by Article XIX Restrictions

State Funding Challenges

- STA and Spillover: Subject to Fuel Price, Taxable Sales, and Legislative Volatility

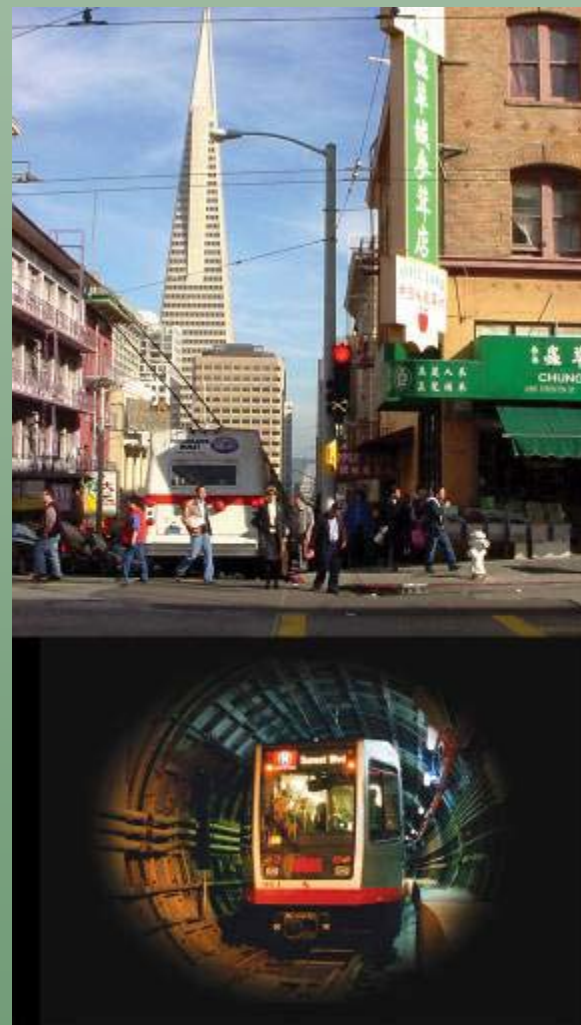
Statewide STA Funding Levels



State Funding Challenges

2. Inability to Bond Against Future STIP Shares

- Not unique to transit
- Need state process analogous to GARVEE
- Critical for Large Projects
- In Bay Area, several transit projects confronting this limitation: Muni Central Subway, BART to Warm Springs, and AC Transit's Bus Rapid Transit project



State Funding Challenges

3. No Consistent Policy: Often Driven by Fund Source

- While STIP eligibility includes transit and local streets and roads, past allocation plans have usually placed a lower priority on these projects.
- Lack of clear direction is a disincentive to using funds for transit.
- Boom and Bust:
 - When PTA was plentiful, urban regions were expected to load STIP with transit.
 - When Spillover disappeared and SB717 changed PTA formula, transit projects lower priority.

State Funding Challenges

4. No Pre-Award Spending Authority for Proposition 1B Funds

- PTMISEA funds infused \$3.6 Billion into transit projects
- Overall many positive features of program – fast and efficient delivery of funds
- Bay Area operators directed funds to critical multi-year projects
- Challenge – Cannot expend any funds before signing of annual budget. At odds with project delivery focus of bond program.



State Funding Challenges

5. Uneven Policies on Advancing Local Funds to Keep Projects Moving

STIP:

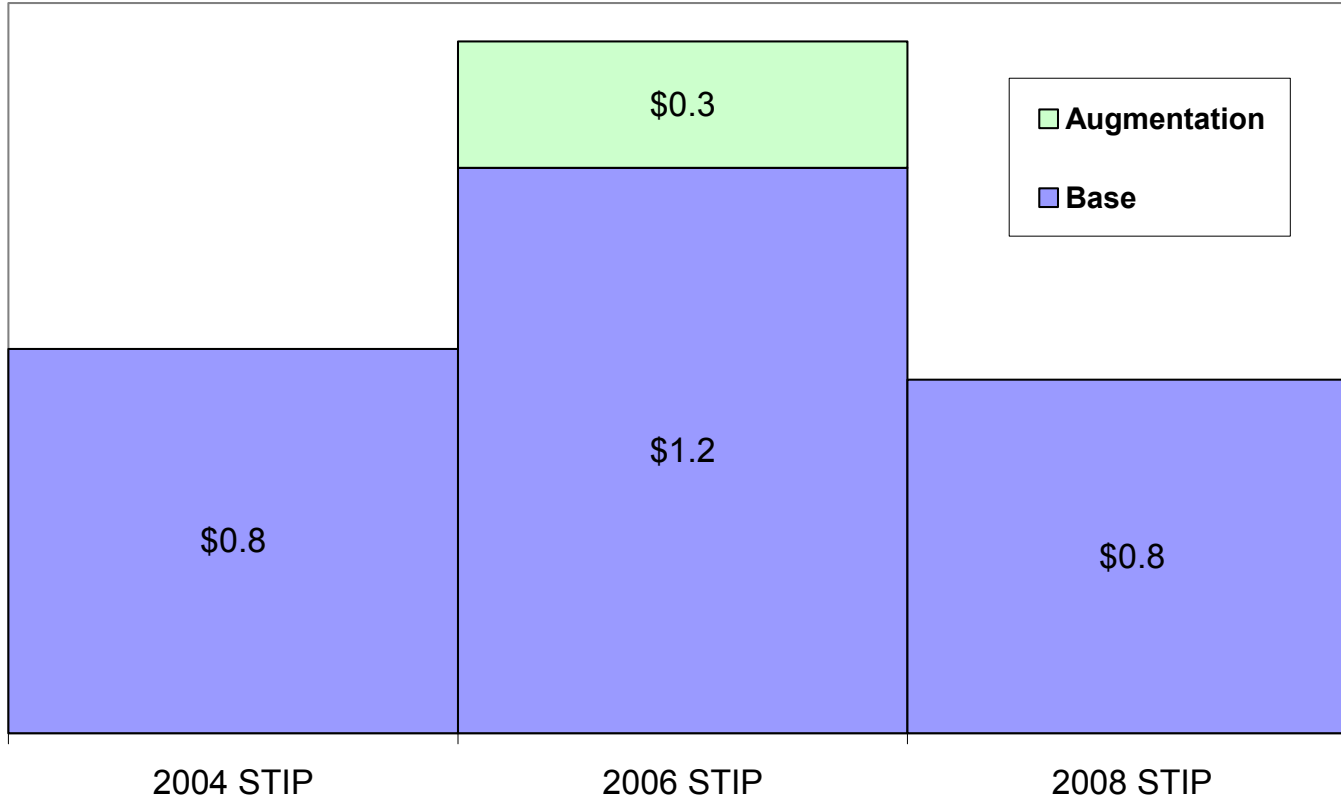
- AB3090 Reimbursement Guarantee Good – But Limited Use by CTC
- AB184: No guarantee when the allocation will be made and expenditures cannot be made prior to the FY of STIP programming.
- No Mechanism for Pre-Award Spend Authority

TCRP:

- Pre-Award Spend Authority Allowed: Critical Tool

2006 STIP Case Study

Statewide STIP PTA Programming Capacity (\$Billions)



Funding Swings for PTA Illustrated

2006 STIP Case Study

- **Why PTA Capacity Went Unclaimed?**
 - Transit treated as lower priority for STIP
 - Long lead times for projects so can't just change priorities on a dime
 - No hard targets for PTA by county so no incentive to use county share of PTA funds

2006 STIP Case Study

- **Outcomes – What Happened to Transit Projects Programmed?**
 - Nearly \$40 Million in Projects Deferred in Bay Area
 - Some projects Requested AB3090 to meet construction timeline
 - Bay Area Area Received Less Prop 1B STIP Augmentation because Earlier PTA Programming

Message to RTPAs and Transit Operators:

Use PTA Funds at your Own Risk!

Recommended Improvements

1. Increase Transit Funding

- Protect all sales tax on gasoline for transportation – including Spillover
 - Not enough \$ to maintain existing assets and make planned improvements
 - Higher fuel prices and climate change polices augment demand for transit

2. Improve Stability and Predictability

- Take PTA out of the STIP since it is volatile and creates modal complications
- Provide the same priority to transit capital as highway projects.

Recommended Improvements

3. Enhance Project Delivery Tools

- Seek state equivalent of GARVEE to address large transit projects
- Improve pre-award spending options so local funds can be expended with later repayment of State \$

