Transportation Co-op Committee
2015 Priority Goal No. 1
Where can we best put our federal dollars?

WHERE CAN WE BEST PUT OUR FEDERAL DOLLARS?

This is something that this Committee has talked about off-and-on for many, many years. Each of us will answer the question differently.

According to the notes from the January 2015 Planning meeting, the following are the thoughts/ideas:

- Develop a pilot program to broker these funds i.e. those that have the capability to purchase federal funds from others (probably at some discount) who wanted to save the time and expense of using federal funds.
  - ✓ Not quite sure how we would get started on such a pilot program. We would need some "seed" federal dollars.
  - ✓ Probably some restrictions on the use of the federal funds that would be bought by one Region from another Region.
- Focus federal money to make most efficient use – as I always heard it stated, concentrate the federal funding on the fewest projects possible.
  - ✓ It seems that a lot of programs wanting to spread the money around, give out less than the maximum amount of federal funds to each project and there doesn't seem to be a way to consolidate the local funds to maximize the use of federal funds.
  - ✓ How can we require that the local match funds on Statewide programs are to be provided to the State for consolidation purposes in exchange for more federal funds or Toll Credits?

CONCLUSION

1) There is no simple, global, magic solution to a **c**omplex problem. The problem is complex due to the specific/special funding allocations in the State. Pointing to the State (Caltrans) and telling them that the answer is very simple – just exchange all of the federal funds for clean State funding before allocation ignores the fact that State gas tax revenues have declined and will continue to decline with the low price of oil/gasoline.

2) It might be possible to include this exchange as part of a State-wide increase in transportation funding, if the increase was of sufficient size.
   a) Not all of Caltrans work (such as routine maintenance work) is eligible for federal funding.

3) Developing a Statewide plan for reducing the federal footprint of transportation projects can be achieved on Programs managed at the State level, such as the Local Highway Bridge Program and the Local Safety Program. A Statewide Plan cannot be developed for Programs managed by the Regions because each Region operates differently and there is not a desire to give up local control.
   a) For Statewide Programs, Caltrans is concerned about dictating changes without a strong consensus from the Regions and local agencies. Thus, Caltrans will develop tools for the toolbox such as the Bridge Investment Credit Program but will not mandate its use. Caltrans will defer to others to make the mandates.
      i) For changes to be mandated on Statewide Programs, the Regions and local agencies will have to demand the mandates.
   b) For those Programs managed by the Regions, the changes must be initiated by the Regions and will not necessarily be uniform or even implemented by each Region because of the differing needs of each Region.
4) There is a desire to do something to lessen the footprint of federally-funded transportation projects, but the **conclusion** is that it will be up to the Statewide Program Managers/Committees and the Regions to determine what is best for their Program or Region.

IDEAS

1) Set a minimum $ threshold to federally fund projects. At the State, Caltrans does this with the SHOPP Program. They federalize only those SHOPP projects over $1mil (Construction Cap), or any Safety project over $300k. Projects with CON CAP costs less than these minimums are funded with State-Only funds.
2) Maximize federal reimbursement percentages. As mentioned, any time project sponsors have more skin-in-the-game than the standard 88.53/11.47 ratio (which is typically viewed as a good thing), it has the unintended consequence of INCREASING the federal footprint by spreading the federal dollars over more projects, rather than fewer. Ultimately to reduce the federal footprint we'll have to push for more large $$$ projects, fewer small $$$ projects, and higher/maximized reimbursement rates.
3) For a certain threshold of project, say under $2mil CON contract, we could federalize ONLY the CON/CE phase. Agencies would fund the PE and/or RW phases with "other" funds then, through either Tapered/Flexible Match or Toll Credits, would get their CON/CE Authorization at 100% fed reimbursement. We probably can't impose this on larger projects where we would be asking agencies to float large PE and/or RW efforts, but perhaps smaller efforts could be handled this way. A side benefit is that agencies would not have to follow federal contract law for the PE/RW phases……just state contract law. Considering all the issues project sponsors are having with A&E Consultant Contracts, pulling some of these efforts out of the federal requirements seems like a worthwhile endeavor to at least investigate. This also keeps us out of PE>10 issues, or having to pull funds back from projects that go through multiple design/scope/concept iterations.

4) Establish a model similar to the Bridge Investment Credit Program (refer to this link http://www.dot.ca.gov/hq/LocalPrograms/DLA_OB/2015/ob15-04.pdf) for other funding programs. It is a similar idea to the tapered match – perform certain work using local funds earning credit for the match on larger projects thereby consolidating the federal funds to few projects.
5) Promote the exchange of (or, sale of) federal funds for local funds to encourage the consolidation of federal funds on fewer projects
6) Use of Toll Credits to also promote the consolidation of federal funds
7) Require that match funds be available to others for use on projects to be non-federalized

<u>FACTS</u>

- Federally funded projects are typically process intensive, and therefore resource intensive. This makes delivery difficult for smaller agencies that don't have either the resources or the technical knowledge to navigate the federal process.
- There are some 450 municipalities and 58 counties in the state competing for federal funds. The Caltrans Division of Local Assistance burden to administer federalized projects for all those jurisdictions with varying degrees of resources and competence within those jurisdictions managing the projects is obviously overwhelming.

<u>POSSIBLE SOLUTIONS</u>

A. Caltrans accepts all of the available federal transportation funding, and exchanges that money with STIP, Bridge Toll, or whatever source of state funding, funneling state money back through the MPO's to distribute to the CMA's or local jurisdictions as the case may be. In this scenario, the same match could be applied to the state money to extend the funding, or not.
   - In this scenario, the "swap" occurs at the grant source. i.e. – when a call for projects is prepared for $100 million worth of CMAQ funding for bike and ped improvements, for example, that money is purchased by Caltrans at that time, and the grant is then funded with state money.
   - Once the grant funding is replaced with state money, the money is allocated to the various MPO's using similar formulas, and projects compete as they would if it were federal funding.

B. Second to Option A, would be very large jurisdictions combine to buy federal funding. For example LA County, Sacramento County, Santa Clara County and Caltrans would be established as exclusive agencies that are willing and capable of delivering federal projects efficiently, <u>AND</u> have available capital to purchase federal money. Similar to Option A, at the grant source (when a call for projects is being established), these jurisdictions buy the federal money at an exchange of 90 cents on the dollar, and the grant funding is replaced with various sources of local money.

- As an incentive to these jurisdictions, in addition to the 10% gain, would be that Caltrans issues toll credits to these jurisdictions to pay any required match associated with the federal funding.
- Once the grant funding is replaced with state money, the money is allocated to the various MPO's using similar formulas, and projects compete as they would if it were federal funding.
- Obviously, these designated jurisdictions could also compete for the various grants just as they normally would.

C. Purchasing federal funding at the CMA or local level. Where within a county one jurisdiction has a federalized project and is need of additional funding, that jurisdiction could take federal funding from another jurisdiction that is not able to use their federal funding allocation. Similar to Option B, this is done for 90 cents on the dollar

- May not be a preferred option primarily because it is done after the fact and there is too much uncertainty. Also, it is dependent upon a local agency having adequate local funding capital to buy the federal dollars.
- One way to mitigate the local capital issue would be for Caltrans to issue toll credits to the agency taking the federal money to be used as match.
- This Option is worth discussing only because it was actually done, and demonstrates that something similar to what this committee is pursuing is very possible if folks are willing to move out of the box.

D. If we were to be successful pushing back the bureaucratic tide, and actually develop an approved a way to "clean" federal money for the majority of California jurisdictions, we still would identify those jurisdictions in the state, with proven track records of delivering federally funded projects, to be eligible to compete to deliver federal grant projects.

PROS:

- Gives smaller jurisdictions a better opportunity to deliver much needed transportation projects with their limited resources.
- Relieves the burden on Caltrans Division of Local Assistance. This point cannot be overstated enough. Think about the workload for local assistance dealing with the same 5 to 10 well trained and well equipped jurisdictions on federal projects, versus 200.
- By placing the federal money in the hands of those agencies that are well equipped to deliver federalized projects, the delivery rate on federal projects improves. Process becomes more easily standardized, less cumbersome, and easier to control/administer. Makes locals, Caltrans, MPO's, CMA's and FHWA happy.

CONS:

- None are obvious other than the fact that Caltrans and FHWA need to look at funding from a "new" (Ahhhhhh!!!) perspective.