



**BOARD OF DIRECTORS
FEBRUARY 26, 2016**

ACTION REQUESTED - APPROVE

**REVISION TO THE 2016 STATE TRANSPORTATION
IMPROVEMENT PROGRAM**

File Number 150000

Introduction

The California Transportation Commission (CTC) adopted the 2016 Fund Estimate at its meeting on August 27, 2015. The 2016 Fund Estimate is the set of revenue assumptions that are used to develop the State Transportation Improvement Program (STIP) covering the period FY 2017 to FY 2021. This Fund Estimate was the basis for the SANDAG 2016 STIP approved by the Board of Directors at its November 2015 meeting. Since then, the CTC at its January 20, 2016, meeting, approved a revision to the 2016 Fund Estimate, which resulted in a reduction of approximately \$750 million to the 2016 STIP capacity.

The CTC is requesting that the regions revise their 2016 STIP, and resubmit by February 26, 2016. This report presents recommendations to address these challenges.

Discussion

Background

The CTC action to reduce the 2016 Fund Estimate directly impacts the Interstate 5 (I-5) North Coast Corridor (NCC) projects currently included in the Board-approved 2016 STIP (See Table 1 below). The I-5 NCC, which is one of the region's highest priority *TransNet* Major Corridor projects, would construct high occupancy vehicle (HOV) lanes, replace bridges, add bike paths, restore lagoons, and construct two double track projects along the I-5 corridor. Significant funding for the highway and rail elements is included in the STIP in FY 2016 to FY 2018. However, due to the significant reduction in STIP funding capacity, allocation of STIP funds for the I-5 NCC in FY 2017 and FY 2018 is at risk of delay or reprogramming by the CTC. This report discusses the potential revision to the 2016 STIP as well as a funding strategy to enable the I-5 NCC to continue on its current schedule.

Recommendation

The Transportation Committee recommends that the Board of Directors: (1) approve a revision and resubmittal of the 2016 State Transportation Improvement Program (STIP); (2) approve the use of the funding tool available under the STIP Assembly Bill 3090 reimbursement process as outlined in the report; and (3) direct staff to submit the required documentation to the California Transportation Commission.

Table 1: Approved 2016 STIP (\$000s)

Project	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
1. I-5 North Coast Corridor	\$36,000	\$49,000				\$85,000
2. Regional Planning, Programming, and Monitoring	1,105	1,105	1,105	1,105	1,105	5,525
TOTAL	\$37,105	\$50,105	\$1,105	\$1,105	\$1,105	\$90,525

2016 STIP

A major source of funds for the STIP comes from the excise tax on gasoline. The base tax rate (California Proposition 111: Gasoline Tax Increase, June 1990) has remained at 18 cents per gallon since 1990. To that base tax rate, an annual price-based adjustment is added by the state Board of Equalization (BOE). For FY 2015, the price-based excise tax was 18 cents, for a total of 36 cents per gallon tax on gasoline. In March 2015, the BOE decreased the price-based tax rate from 18 cents to 12 cents per gallon, mainly due to the reduction in the price of gas. This reduction formed the basis for the 2016 STIP.

In anticipation of further reductions by the BOE due to a continued downward trend in the price of gasoline, the CTC approved reducing the 2016 Fund Estimate in January; the assumption is that the price-based excise tax will be lowered to 10 cents per gallon resulting in a further reduction of approximately \$750 million in STIP programming capacity. The CTC action included, among other things, a revised 2016 STIP adoption schedule and hearing as well as a request for the regions to revise and resubmit their 2016 STIP proposals.

Of the \$750 million reduction, the regional share statewide is approximately \$565 million. Of this amount, the formula share for SANDAG is about 7.3 percent, which equates to approximately \$41 million. To support the CTC in its effort to manage the STIP, SANDAG proposes to reduce the 2016 STIP by \$41 million as shown in Table 2 below:

Table 2: Proposed Revised 2016 STIP (in \$000s)

Project	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
1. I-5 North Coast Corridor	\$36,000 \$ 0	\$49,000 \$44,000				\$85,000 \$44,000
2. Regional Planning, Programming, and Monitoring	1,105	1,105	1,105	1,105	1,105	5,525
TOTAL	\$37,105 \$1,105	\$50,105 \$45,105	\$1,105	\$1,105	\$1,105	\$90,525 \$49,525

Once the CTC receives revised STIP submittals from all of the regions, further delays or reductions could be proposed. The CTC is scheduled to adopt the revised 2016 STIP at its meeting in May.

Potential Funding Strategies for I-5 NCC

The annual Plan of Finance Update (POF) approved by the Board of Directors in January discussed the potential for a significant reduction to the 2016 Fund Estimate and was structured to accommodate the possibility of having to advance *TransNet* or other funds in lieu of STIP funds. Below are some strategies and next steps that could be employed to help keep the I-5 NCC on schedule notwithstanding the proposed \$41 million reduction.

1. Assembly Bill 3090 (AB 3090) (Government Code 14529.7, as amended 1992): State law allows agencies such as SANDAG to enter into an agreement with the CTC whereby SANDAG pays for the delivery of a STIP programmed project with its own funds in advance of the year in which the project is programmed.

There are two types of AB 3090 arrangements available: (1) AB 3090 Replacement, which allows the agency to replace currently programmed projects with another project(s) in a future year where funds are available; and (2) AB 3090 Direct Cash Reimbursement, which allows programs a reimbursement for the fiscal year in which the project is reprogrammed for AB 3090. This second option has the highest STIP priority, meaning the reimbursement would occur as soon as funds are available. SANDAG would pursue the direct reimbursement option for the proposed FY 2018 amount of \$44 million for the I-5 NCC.

2. Transportation Infrastructure Finance and Innovation Act (TIFIA) loan: As reported in January, SANDAG has been working with the TIFIA office for the Mid-Coast Corridor Transit Project. A TIFIA loan for the I-5 NCC could provide further opportunity to lower borrowing costs, and increase *TransNet* program flexibility and capacity to allow this project to continue under its schedule.

Next Steps

Upon approval by the Board of Directors, SANDAG will resubmit the revised 2016 STIP due February 26, 2016. Once the timing for the next I-5 NCC work package is determined, SANDAG will submit the request for an AB 3090 direct cash reimbursement to the CTC in order to keep the project on schedule. SANDAG staff also will continue to consider the efficacy of a TIFIA loan for the I-5 NCC and continue to update the Board regarding the loan process.

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