

TSDAC Capital Allocation Model
Proposed Amendment- October 28, 2013

Respectfully submitted by Cindy L. Mester

Goals and Objectives (defined by TSDAC consistent with DRPT vision/mission/goals):

Transit Goal: “Moving People! Effectively and Efficiently; Where they want to go- When they want to go there”

Improve the mobility of people/goods while expanding transportation by: 1) Moving people to where they want to go; 2) Being effective and efficient; 3) Being market driven, service area responsive and adequate frequency; 4) Ensuring safety and comfort; and 5) Achieving high return on investment of people and funding resources

Transit Objectives: 1) Improve Congestion Relief- capacity and safety; 2) Improve Transit Dependent- choices and options/ reliability and affordability

Proposed Amendment Components: addressing funding impact of the total costs (gross) versus non-federal (net) funding base change

- 1) Adjust participation tiers to: make the tier 1 rate twice the rate of tier 2 and tier 2 rate twice the rate of tier 3; and consume all available capital
- 2) Increase the minimum local match requirement by 1% in FY16 to a total of 5%
- 3) Reassessment of capital parameters, after FY14 and FY15 funding allocation, but before FY16 grant application process (i.e. November 2014) to account for:
 - a. A thorough review of data and assumptions underpinning the capital parameters as initially specified; and
 - b. Implementation of a full-fledged 6-year capital plan; and
 - c. The successor to MAP-21
- 4) Implementation date for funding base change:
 - a. Delay change from existing “net” framework to total cost (gross) framework for one year (FY 2016 funding cycle); or
 - b. Implement a state maintenance of effort (MOE) provision, concurrent with above reassessment, to hold operators harmless/neutral whereby the FY 2014 serves as the base minimum local funding level such that if the 3 tiers/ participation rates/ total cost formula results in an absolute dollar reduction in local funding below the FY 2014 level, state dollars would be reduced as much as necessary to sustain local funding at the FY 2014 level (or the minimum local match requirement, whichever is greater) before new funding is accounted for. Aim is to make the new state funds represent net new resources statewide. There is no separation of existing and new capital dollars, unlike operating, but rather a factor is added to the formula. The state/federal share maximum cap of 96% is retained and the dollar amount award would not exceed the total capital request if the projected capital request is actually lower than FY14 base.

Rationale:

- 1) Implement a capital allocation plan that achieves the statewide goals/ objectives while honoring system differences, local funding support variations as well as locality/operator funding constraints;
- 2) Achieves funding stability code intent and philosophy of not supplanting funds, net new funding equitably applied statewide;
- 3) The breath of variable and assumptions necessary to develop consistent, stable, reliable and valid funding allocation system warrants methodical transitional implementation and verification/reassessment;
- 4) A State MOE framework is consistent with HB2313 local MOE requirement, SB1140 existing operating funds hold harmless of existing formula retained, localities expected to carry over FY14 operating funds freed up from FY 14 SYIP supplemental for net new increase not a zero sum gain;
- 5) Allows for proper budget planning for local match and change formula methodology new requirementsneither can be back filled on “short notice” and loss of funding is significant in multi-jurisdictional systems with adopted out-year capital legal funding agreements;
- 6) Strategically planned federalizing of capital expenditures reduces overall costs and time increasing efficiency;
- 7) Ensure participation rate percentages demonstrate prioritization of Tier 1 2x greater than Tier 2 etc.;
- 8) Increases local funding match for a 95:5 ratio to extend state funds and facilitate expansion/ choices statewide; state funds increasingly focused where there is local partnership;
- 9) Alternatively, comparing gross funding base to existing/present model appears to result in less local contribution over 5 years in all VDOT districts except NOVA; and

10) Conservative code interpretation indicates that initial capital parameters are set for 3 years, plus additional 1 year notice, so unintended consequences or significant federal changes could remain unaddressed for 4 years so recommend offsetting this risk by providing advance reassessment notice.