AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 5
On Transportation and Information Technology

Assemblymember Bob Blumenfield, Chair

WEDNESDAY, MARCH 25, 2009, 4:00 PM
STATE CAPITOL, ROOM 127

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009:
MAXIMIZING CALIFORNIA'S SHARE OF DISCRETIONARY FUNDING

1) HIGH-SPEED AND INTERCITY RAIL - $8 BILLION
   a. MEHDI MORSHED – EXECUTIVE – DIRECTOR - HIGH SPEED RAIL AUTHORITY
   b. WILL KEMPTON – DIRECTOR, CALIFORNIA DEPARTMENT OF TRANSPORTATION
   c. EUGENE SKOROPOWSKI – MANAGING DIRECTOR, CAPITOL CORRIDOR JOINT POWERS AUTHORITY
   d. ERIC THRONSON – LEGISLATIVE ANALYSTS OFFICE

2) DISCRETIONARY TRANSPORTATION INVESTMENTS - $1.5 BILLION
   a. WILL KEMPTON – DIRECTOR, CALIFORNIA DEPARTMENT OF TRANSPORTATION
   b. JESSICA BIRD – LEGISLATIVE ANALYSTS OFFICE
   c. PORTS
      - TIM SCHOTT - CALIFORNIA ASSOCIATION OF PORTS
      - MARK WATTS – PORT OF LOS ANGELES
      - ANTHONY GONSALVES – PORT OF LONG BEACH
      - RICHARD HARRIS – PORT OF OAKLAND
   d. RAILROADS
      - WES LUJAN – UNION PACIFIC
      - JUAN ACOSTA – BNSF

3) DIESEL EMISSION REDUCTION ACT – $300 MILLION
   a. BRUCE OURLEY – CALIFORNIA AIR RESOURCES BOARD
   b. MEL ZELDIN – EXECUTIVE DIRECTOR - CALIFORNIA AIR POLLUTION CONTROL OFFICERS ASSOCIATION
   c. DR. MATT MIYASATO – SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
   d. JESSICA BIRD – LEGISLATIVE ANALYSTS OFFICE
   e. BONNIE HOLMES-GEN – AMERICAN LUNG ASSOCIATION OF CALIFORNIA

4) AVIATION – $1.3 BILLION
   a. WILL KEMPTON – DIRECTOR, CALIFORNIA DEPARTMENT OF TRANSPORTATION
   b. ERIC THRONSON – LEGISLATIVE ANALYSTS OFFICE

5) TRANSIT CAPITAL FOR REDUCTION OF ENERGY CONSUMPTION OR GHG EMISSIONS - $100 MILLION
   a. JOSH SHAW – EXECUTIVE DIRECTOR – CALIFORNIA TRANSIT ASSOCIATION
   b. LES WHITE – GENERAL MANAGER – SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
   c. TIM SCHOTT – SAN FRANCISCO BAY AREA RAPID TRANSIT (BART)
   d. MICHAEL TURNER – LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY (LA METRO)

Background.

On Tuesday February 17, 2009, President Obama signed into federal law the $787 billion economic stimulus package passed by Congress. The American Recovery and Reinvestment Act of 2009 (ARRA) targets over $46 billion nationwide for transportation and mass transit projects.

While much of this funding is set to be allocated based on existing formulas, there are also many pots of funding that will be awarded competitively, or which have not yet had guidelines determined as to how they will be distributed. The primary purpose of today's hearing is to review those pots of funding and determine what can be done to ensure California is positioned to receive as much federal funding as possible. Specifically, the committee would like to determine if state laws need to be modified to maximize the receipt of federal funds, if the state can lobby for specific criteria, guidelines, or priorities for these pots of funds that will benefit California, and if there are other ways the Legislature can help bring federal stimulus dollars to California.

A majority of the Federal Transportation dollars are for Highways and Local Streets and Roads (approximate share for California $2.6 billion) as well as Mass Transit (approximate share for California $1.07 billion). These pots of funding are set by formula, and the amount to be received by California has already been determined. The Assembly Transportation Committee held a joint hearing with the Senate Transportation and Housing Committee to discuss these funds. From that hearing they developed AB 20 X3 regarding how the Highway and Local Streets and Road money should be spent.

Figure 13

Transportation Component of the American Recovery and Reinvestment Act

(In Millions)

Program	Nationwide Total	California's Share
Formula-Based Funding		
Highways and roads	$27,500	$2,570
Transit	7,550	1,068
Discretionary Funding		
High-speed and intercity rail	$8,000	—[a]
Supplemental discretionary grants	1,500	—[a]
Aviation infrastructure	1,300	—[a]
Other transit grants	850	—[a]
Totals	**$46,700**	**$3,638**

[a] The amount is unknown as it will depend on receipt of discretionary grants.

* Chart from Legislative Analysts Office 2009-10 Budget Analysis Series, Federal Economic Stimulus Package: Fiscal Effect on California, March 10, 2009.

In today's hearing the focus will be on the following pots of discretionary funding:

- High-Speed Rail and Intercity rail - $8 billion
- Discretionary Transportation Investments - $1.5 billion
- Diesel Emission Reduction Act - $300 million
- Aviation - $1.3 billion
- Transit Capitol for Reduction of Energy Consumption or Green House Gas Emissions - $100 million

Please see the attached pages for further detail on each of these funding sources.

While other pots of discretionary funding exist, in review of the guidelines and discussions with interested parties, these pots rose to the top of potential opportunities to maximize the benefit to California.

Questions.

All witnesses should be prepared to answer these standard questions for all categories:

1) How are you preparing to apply for these funds?
2) What can the Legislature do to support your efforts?
3) Is there anything the Legislature can advocate for in ARRA guidelines as they are developed that will benefit California as a whole? (i.e. goods movement, population, etc.)

$8 BILLION – HIGH SPEED RAIL

WHO:

- Provides grants to states under the High-Speed Passenger Rail Corridor program and the Intercity Passenger Rail Service program, with priority given to projects for intercity high-speed rail service.
- Specific details on who may apply are not yet available.

FOR WHAT:

- By April 18, 2009, the Secretary of Transportation will submit to Congress a strategic plan that describes how he will use $8 billion to improve and deploy high-speed passenger rail systems.
- Because regulations have not yet been developed, it isn't clear what specific requirements the project must meet.

RELEVANT DETAILS:

- One opportunity for creating an advantage for California is through the definition of "High-Speed Rail."
- Federal law contains at least four different definitions of high-speed rail. One bill defines the term as "intercity passenger rail service that is reasonably expected to reach speeds of at least 110 miles per hour." Other sections of code give preference to systems that will achieve sustained speeds of 125 mph or greater. Meanwhile, California's system is intended to reach sustained operating speeds of over 200 mph.
- California would benefit if the strategic plan gives preference to high-speed rail systems that will achieve operating speeds of 125 mph or greater, not that are "reasonably expected" to reach certain speeds.
- Additionally, California would benefit from a prioritization of projects that can provide matching funds. With the passage of Proposition 1A in 2008, California is in a unique position to match a large amount of federal funds for High-Speed Rail projects.

$1.5 BILLION – COMPETITIVE GRANTS (NATIONWIDE)

WHO:

- These competitive grants are specified for state and local governments or transit agencies.
- Priority is specified for projects that require a contribution of federal funds as part of their overall financing package and to projects to be completed within 3 years.
- The Secretary shall publish criteria on which to base the competition for any grants awarded under this heading not later than 90 days after enactment.

FOR WHAT:

- These competitive grants are for surface transportation projects with a significant impact on the nation, a metropolitan area or a region.
- Projects must be eligible under the Surface Transportation Program.
- Eligible projects include: highway or bridge projects, interstate rehabilitation, improvements to rural collector road system, seismic retrofit for bridges, passenger and freight rail projects, port infrastructure investments, etc. It is VERY broad.

RELEVANT DETAILS:

- No state may receive more than 20percent of available funds ($300 million).
- Minimum grants allowed are $20 million, which may be waved by the Secretary of Transportation for projects in smaller cities, regions or states.
- The Secretary is directed to "take such measures so as to ensure an equitable geographic distribution of funds and an appropriate balance in addressing the needs of urban and rural communities."
- No state funding match required.

$300 million - Diesel Emission Reduction Act funding (DERA)

WHO:

- 70 percent federal ($212 million) / 30 percent ($88 million) state split.
    - CA will receive approx. $1.8 million of the state funds.
    - Funding expected April 17th.
- Eligible entities:
    - Regional, state, local, tribal or port agency with jurisdiction over transportation or air quality;
    - Nonprofit organization or institution which:
        - Represents or provides pollution reduction or educational services to persons or organizations that operate diesel fleets; or
        - Has, as its principle purpose, the promotion of transportation or air quality.

FOR WHAT:

- Funds may be awarded as both grants and loans and may pay for the costs of a retrofit technology or the incremental costs of a re-powered or new diesel engine.
- Both on- and off-road diesel emission reduction projects qualify for funds, including medium- and heavy-duty trucks, buses, locomotives, construction equipment, cargo handing equipment, agricultural, mining, energy production, and other types of diesel powered vehicles and equipment.
- Portions of these funds are specified for public fleets.
- Some of this funding is prohibited from funding the cost of emissions reductions mandated under Federal, State, or Local law.

RELEVANT DETAILS:

- Projects must utilize a U.S.EPA or ARB-certified emission control technology.
- U.S.EPA has over $1.5B in unfunded applications in the existing program.
- ARB has existing emission reduction incentive programs that could expedite expenditure of these funds, including the Prop. 1B goods movement emission reduction program, the Carl Moyer Program, and the AB 118 Air Quality Improvement Program.
- Of the $50 million Congress appropriated for DERA through 2008, about $2 million came to California. About $300,000 was awarded directly to the ARB, with the remaining $1.7 million being awarded by USEPA to South Coast, San Joaquin Valley, and Sacramento air districts.

$1.3 BILLION - AVIATION

WHO:

- $1.1 billion in funding goes towards the Airport Improvement Program, which provides grants to public agencies (with some exceptions) for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems.
- Priority will be given to projects that can be completed within 2 years, and where funds will supplement, not supplant, planned expenditures.
- The Secretary of Transportation is responsible for allocation of these grants.
- The FAA has not yet specified details on who may apply for the final $200 million. Within 60 days the FAA shall establish a process for applying, reviewing and awarding grants.

FOR WHAT:

- $1.1 billion is for procurement, installation, and commissioning of runway incursion prevention devices, airport noise mitigation, and other airport improvements as authorized by existing law.
- $200 million shall be used to make improvements to power systems, air route traffic control centers/towers, terminal radar approach control facilities, and navigation and landing equipment. Projects that can be completed within 2 years will receive priority.

RELEVANT DETAILS:

- All $1.3 billion is available through September 30th, 2010.
- 50 percent of the $1.1 billion must be awarded within 120 days, and the remaining 50 percent no later than 1 year after enactment.
- Funds are typically first apportioned into major entitlement categories, with remaining funds going to discretionary funding.
- This is a well established program with existing formula's and guidelines that may be difficult to influence.
- No state funding match required.

$100 million – Transit Capital for reduction of energy consumption or greenhouse gas emissions

WHO:

- Specified for U.S. “public transit agencies." Further specifics are to be determined by the Secretary of Transportation.
- A consolidated proposal with more than one project may be submitted by a transit agency, or an organization on behalf of more than one transit agencies (such as a Metropolitan Planning Organization, State Transit Association, or State Departments of Transportation).
- Priority will be given to projects based on the total energy savings projected to result from the investment as well as the projected savings as a percentage of the total energy usage of the public transit agency.

FOR WHAT:

- Capital investments that will assist in reducing the energy consumption or greenhouse gas emissions of their public transportation systems.
- Some examples of authorized projects include replacement of existing vehicles with more energy-efficient vehicles, incorporation of wayside energy storage for captured regenerated energy in rail transit systems, and adding solar (PV) panels or wind technology to a facility.
- Only direct emissions (produced directly by the transit agency) will be counted, including: stationary combustion from boilers and furnaces, mobile combustion, or fugitive sources such as methane or sulphur leaks from equipment.

RELEVANT DETAILS:

- Project selection will also be based partly on return on investment, project readiness, total capacity of the applicant, degree of innovation, and the “national applicability of a project."
- No state funding match required.
- Minimum request of $2 million (transit agencies may combine proposals to reach this threshold).
- Maximum grant of $25 million.
- Proposals must be submitted by May 22, 2009.