

January 20, 2010

# Federal Economic Stimulus Funds for Transportation

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LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Transportation and Housing Committee

Hon. Alan Lowenthal, Chair





## Federal Stimulus Funds for Transportation

### American Recovery and Reinvestment Act (ARRA) Establishes Timelines on the Use of Transportation Funds

#### Highway/Road Formula Funds

- Each state must obligate 35 percent of the total funds received by the state by June 30, 2009.
- Each state's total share of funds must be obligated by March 2, 2010. Any funds not obligated by this date will be redistributed to other states that have used all their ARRA highway/road funds.
- Any funds that are redistributed must be obligated by September 30, 2010.
- Funds that have been obligated are available for expenditure until September 30, 2015.

#### Transit Formula Funds

- Each recipient must obligate 50 percent of the total funds received by September 1, 2009.
- The balance of the recipients total share of funds must be obligated by March 5, 2010. Any funds not obligated by this date will be redistributed to other entities that have obligated all their ARRA transit funds.
- Any funds that are redistributed must be obligated by September 30, 2010.
- Funds that have been obligated are available for expenditure until September 30, 2015.



California is receiving \$3.7 billion from the American Recovery and Reinvestment Act's (ARRA) formula-based programs, as well as additional funds from competitive grant programs.



There are multiple steps required in the federal funding process, but only the obligation and expenditure of funds have specific deadlines under ARRA.

- **Certification.** Identify a list of qualifying projects.
- **Obligation.** Commit funds to specific projects that are ready to start construction.
- **Contract Advertisement.** Advertise and accept bids from interested contractors.
- **Contract Award.** Evaluate bids and select a contractor.
- **Expenditure.** Make payments to contractors.



## State Implementation of Transportation Funds

<b>State Implementation of ARRA Highway and Road Funds</b>				
<i>(Dollars in Millions)</i>				
<b>Recipient</b>	<b>State Implementation</b>		<b>ARRA Minimum Requirement</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Local agencies	\$1,606	62.5%	\$771	30%
Caltrans	964	37.5	1,799	70
<b>Totals</b>	<b>\$2,570</b>	<b>100%</b>	<b>\$2,570</b>	<b>100%</b>

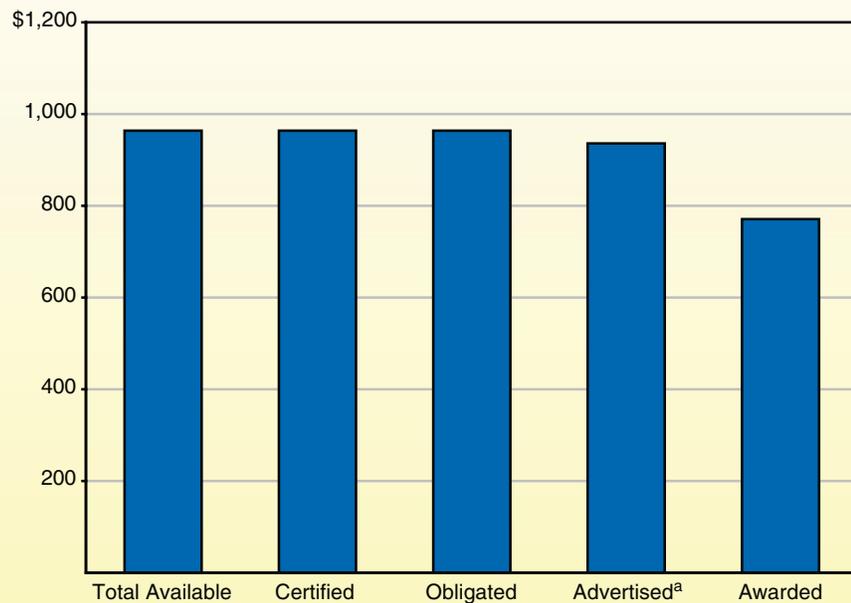
- Large Share of Funds to Local Agencies.** Local agencies have many transportation needs and indicated that local projects could start work quickly, thereby generating a stimulus impact.
- Caltrans' Share of Funds for Highway Repairs.** There were many "shovel-ready" projects in the State Highway Operation and Protection Program (SHOPP) because the state's highways have substantial repair needs and limited funding.
- Cash Loans for Proposition 1B Projects.** Caltrans and local agencies had projects in the Proposition 1B programs that were shovel-ready but delayed due to a lack of available state bond funds. Implementing legislation allows Caltrans to use ARRA funds to provide cash loans to ready-to-go bond projects.



## Caltrans Moving Quickly to Get Projects Underway

### Caltrans' Progress on Use of ARRA Highway Funds

(In Millions)



<sup>a</sup>Based on Caltrans projected awards through March 2010.

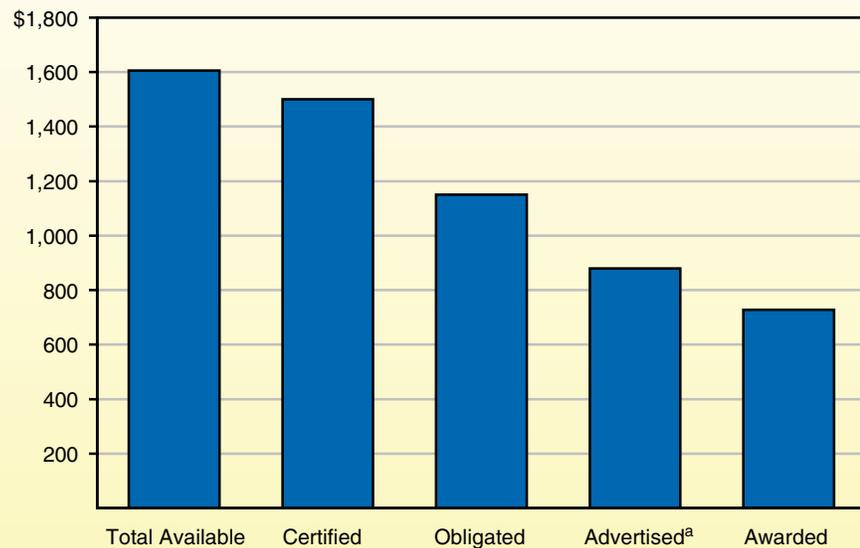
- As of January 11, 2010, Caltrans has obligated all of its ARRA funds.
- Contracts have been awarded across the state for 73 projects using \$771 million (80 percent) of Caltrans' ARRA funds.



## Local Projects Slower to Get Under Way

### California's Progress on Use of ARRA Local Road Funds

(In Millions)



<sup>a</sup>Based on Caltrans' projected awards through March 2010.

- As of January 11, 2010, Caltrans reports that local agencies have obligated \$1.2 billion (72 percent) of their funds. The remaining \$455 million must be obligated by March 2, 2010.
- Contracts have been awarded by local agencies for 354 projects using \$726 million (45 percent) in ARRA funds.



## Issues for Legislative Consideration

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### *Evaluate Progress of ARRA*

- Determine why local agencies have been slower to use funds and if changes could be made to help expedite their projects.
- Determine why funding SHOPP projects was successful in the timely use of ARRA funds?



### *Prepare for Potential Stimulus II*

- Identify the advantages and disadvantages for funding different types of projects. For example, are large projects better suited to use these funds? Are certain agencies more experienced in using federal funds and how does this expedite the use of funds?
- Direct Caltrans and local agencies to develop a list of potential projects that are (1) near shovel-ready, (2) are in the federal program, (3) meet federal requirements, and (4) have matching funds available (if necessary).