

Expert Review Panel
Notes on the Status of Developing ST3 Grant Assumptions
2/9/2016

Background

There are 3 categories of grants in the Sound Transit Financial Plan:

- 1) New/Small Starts - Full Funding Grant Agreements (FFGAs) and Small Start Grant Agreements
- 2) FTA Formula Funding – In the Seattle-Tacoma-Everett urbanized area, the majority (86%) of FTA Formula funds are distributed by replicating the national FTA formula. This formula uses service data (revenue vehicle miles, etc) as its main factors in determining how much each agency earns.
- 3) Other Competitive Grants – This category includes Congestion Mitigation and Air Quality (CMAQ) and Surface Transportation Program (STP) funding managed by the Puget Sound Regional Council as well as various national competitive grant programs, such as TIGER (Transportation Investments Generating Economic Recovery).

\$2.4B in Grant Funding has been Secured to Date (about 72% of the assumed \$3.3B in grant funding through 2023)

Grant funding secured to date:

- U Link FFGA: \$813m
- Initial Segment/Airport Link FFGA: \$500m (completed 2009)
- Competitive grants: \$486m
- FTA formula funding: \$443m
- Sounder Commuter Rail New Starts: \$122m

The remaining funding to secure is mostly the Lynnwood FFGA.

Updated Grant Assumptions Assume \$3.7B by 2023 (with updated Lynnwood FFGA amount)

Funding Source	Current Sound Move & ST2 assumptions (1997-2023) with Lynnwood FFGA update	Est Federal Amount (1997-2023) in millions
New Starts / FFGA	3 FFGAs: Initial Segment, U Link and Lynnwood Link	\$ 2,483,000
FTA Formula	Formula earnings (currently at \$37m per yr) driven by service levels; assume no changes to the national formula for State of Good Repair and High Intensity Motor Bus.	\$ 767,098
Other Competitive	Current assumptions: approx. \$16m per 2-year funding cycle at PSRC; No TIGER or other competitive grant assumptions.	\$ 498,141
	Total	\$ 3,748,239

Developing ST3 Grant Assumptions

- Currently, the ST3 finance plan assumes 10% of the capital program is federally funded. This is a placeholder in the financial plan.

- Historically, Grants as a percent of all Capital spending is a little over 18%.

Once the ST3 capital projects and length of the program is determined, ST3 grant assumptions will be refined by including New Starts, FTA Formula funding and Other Competitive grants.

To prepare for this update, we are working on 2 methodologies for developing ST3 grant assumptions: “Top Down” and “Bottoms Up”

- 1) The “Top Down” Approach (source: Peyser and Assoc.) makes assumptions on the size of the National New Starts Program and Sound Transit’s assumed share of the New Starts program.

National Funding Assumptions

Low –Assumes funding will track the CBO baseline. Assumed at 3% per year.

Mid –Assumes a 5% funding increase above CBO baseline in the first year of each authorization and an increase of 3% for years 2-5 of each authorization. This option produces an average annual increase of 3.7% and a raw number in the final year 135% higher than the first year.

High –Assumes that two out of the five authorization periods will produce policy-led increases in transit spending. Assume 10% increase in 2021 and 15% in 2026. The other authorizations in the 25-year period would assume a 5% increase in the first year. For all of the authorizations, years 2-5 would track the CBO baseline. This option produces an average annual increase of 4.3% over the period and a final year number 169% higher than the first year.

All three options see the federal program significantly underperform its history since 1998.

Sound Transit Share of the National Program Assumption

Over the period 1998-2015, Sound Transit received 4.5% of the national total of the federal new starts program.

Low –Sound Transit’s share would decrease to 3.5% of the national total – or 22% below its historic performance.

Mid –Sound Transit would stay on course with its historical 4.5% share.

High –Sound Transit’s share increase to 5.5%, or 22% above its previous performance.

- 2) The Bottoms Up” Approach (source: ST Grants)

This methodology looks at the specific ST3 FFGA scenarios and calculates the potential FFGA amounts. This methodology also estimates FTA Formula funding.

- FFGA/New Starts funding estimates are calculated from estimated project costs. Currently, a range of 25% to 49% is the federal share used in developing the various FFGA scenarios.
 - ST will get preliminary New Starts Ratings for all the potential FFGA projects.
- Refinements to the FTA Formula funding estimate will be made when ST3 service data is available.
 - The FTA Formula calculations assume no changes to the national FTA Formula.
 - An inflation factor could be added to be consistent CBO or continue the same rates of inflation as the FAST act (approx. 2-3%)

Historically, ST has strongly outperformed our competitive grant assumptions, but these grants are more speculative and tend to be smaller in size. No additional ST3 competitive grants are currently assumed.

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