

October 17, 2016

TO: Governor Jay Inslee

**FROM: Charles Knutson, Executive Policy Advisor
Jay Balasbas, Senior Budget Assistant**

SUBJECT: Distribution of Federal Transportation Funds

In December 2015, Congress and the President enacted the Fixing America's Surface Transportation (FAST) Act, a five-year authorization of federal highway funding. Washington is expected to receive approximately \$3.6 billion in apportioned funds over the life of the act. This represents an average increase of about \$64 million per year in federal highway funds compared to the last major federal highway funding authorization, MAP-21.

Washington has a unique approach to splitting federal funds between state and local government. There is a requirement to sub-allocate about half of the Surface Transportation Block Grant Program funding to local entities based on population and there is metropolitan planning money for local organizations. Beyond that, generally speaking, there is no requirement for the state to sub-allocate the rest of the Federal Highway Administration formula funds it receives each year. With our state's history of collaboration and open discussion, we go above and beyond and provide more money to local governments than required by federal law.

In support of our tradition and at your direction, we convened an advisory group of legislators, local government entities and various users of the transportation system to review current distributions of federal highway formula funds to the state and local governments under the FAST Act. The existing distribution to the state and local governments was last discussed in 2012 by the MAP-21 Steering Committee.

The 2016 FAST Advisory Group membership included:

Member	Organization
Representative Judy Clibborn	House Transportation Committee
Representative Ed Orcutt	House Transportation Committee
Senator Curtis King	Senate Transportation Committee
Senator Marko Liias	Senate Transportation Committee
Councilmember Derek Young, Pierce County	Washington State Association of Counties
Mayor John Marchione, Redmond	Metropolitan Planning Organizations
Mayor James Restucci, Sunnyside	Regional Transportation Planning Organizations
Councilmember Paul Roberts, Everett	Association of Washington Cities
Ricky Gabriel, Colville Tribe	Tribal Transportation Planning Organizations
Roger Millar	Washington State Department of Transportation
Ashley Probart	Freight Mobility Strategic Investment Board
James Thompson	Washington Public Ports Association
Justin Leighton	Washington State Transit Association

The advisory group met three times in June and July. Prior to discussing specific allocations of federal funds, the group developed a set of guiding principles for its deliberations. The guiding principles listed below are intended to support the six existing statutory goals of the state transportation system (economic vitality, preservation, safety, mobility, environment and stewardship).

- Protect Washington’s share of overall federal funding.
- Ensure the state share of federal funds supports the Connecting Washington Investment Package.
- Leverage federal funds with state, local and private funding sources to maximize the safety, preservation and improvement of the transportation system, including maintaining current levels of investment.
- Provide resources for a multimodal transportation system that improves connectivity for users.

Based on the robust conversations among advisory group members and proposals from local entities, we recommend the following new distributions of funding for the National Highway Performance Program (NHPP) and the Surface Transportation Block Grant Program (STBGP):

- WSDOT’s distribution from NHPP and the STBGP “Any Area of the State” category are held at Federal Fiscal Year (FFY) 2015 levels.
- The incremental increase in NHPP funds from FFY 2017 to FFY 2020 (average \$19.4 million per year, \$77.5 million over 4-years) will be used to create an asset management-based competitive grant program for projects on the National Highway System (NHS).
- A portion of the incremental increase in STBGP flexible funds, up to \$15 million per year (up to \$60 million over 4-years) will be added to the Local Bridge program. Local entities will decide if any of the new program amounts should be set-aside for short-span bridges and/or fish passage barrier correction, including priority of those investments.
- The remaining annual growth in STBGP is attributed to the Local portion of the “Any area of the state” distribution.

In addition to the NHPP and STBGP program, we recommend the funding provided by the new National Highway Freight Program (an average of \$21 million per year over the next 4 years) be allocated to the state with project prioritization recommendations made by the WSDOT facilitated Freight Advisory Committee, which includes broad representation of local entities and freight stakeholders.

We are not recommending any changes to the current distribution for these federal programs:

- Highway Safety Improvement Program

- Congestion Mitigation and Air Quality
- Metropolitan Planning
- Statewide Planning and Research

Finally, we recommend maintaining the agreements made in 2012 by the MAP-21 Steering Committee regarding use of a portion of the state’s discretionary funding under the Transportation Alternatives Program and the Highway Safety Improvement Program for the Safe Routes to Schools Program.

These recommendations provide for an increasing share of federal funds that will primarily benefit local entities over the duration of the FAST Act. The table below compares the current state-local distributions of the federal highway formula programs to our recommendations. The table on the following page shows the dollar uses based on our recommendations.

Program	FFY 2015 (MAP-21)		FFY 2020 (FAST Act)	
	State	Local	State	Local
National Highway Performance Program (NHPP)	94%	6%	87%	13%
Surface Transportation Block Grant Program (STBGP)	25%	75%	21%	79%
Local Bridge Program	0%	100%	0%	100%
Population Distribution	0%	100%	0%	100%
Any area of the state	67%	33%	86%	14%
Transportation Alternatives	0%	100%	0%	100%
Recreational Trails	100%	0%	100%	0%
Highway Safety Improvement Program (HSIP)				
Highway Safety Component of HSIP	30%	70%	30%	70%
Rail Crossing Safety Component of HSIP	100%	0%	100%	0%
Congestion Mitigation and Air Quality (CMAQ)	0%	100%	0%	100%
Metropolitan Planning (MPO)	0%	100%	0%	100%
Statewide Planning and Research (SPR)	100%	0%	100%	0%
National Highway Freight Program (NHFP)	-	-	100%	0%
Overall	66%	34%	61%	39%

We also recommend OFM convene WSDOT and representatives of local entities to develop draft criteria for the NHS competitive grant program by December 15, 2016. OFM will ensure that the recommended criteria provides for fair consideration of all projects, regardless of sponsoring entity and that NHS assets in the worst condition receive priority consideration.

Please contact us if you have any questions.

		FFY 2017 ⁵			FFY 2018 ⁵			FFY 2019 ⁵			FFY 2020 ^{5, 8}										
		State Amount	Local Amount	Total	State Amount	Local Amount	Total	State Amount	Local Amount	Total	State Amount	Local Amount	Total								
1	National Highway Performance Program (NHPP)	365.4	92%	30.8	8%	396.2	365.4	91%	38.3	9%	403.8	365.4	89%	46.6	11%	412.1	365.4	87%	55.2	13%	420.6
2	Surface Transportation Program (STP)	45.0	23%	153.3	77%	198.2	45.1	22%	157.4	78%	202.5	45.1	22%	161.0	78%	206.1	45.1	21%	165.5	79%	210.6
3	Bridge Program (For bridge not on the Federal-Aid system)	-	0%	37.9	100%	37.9	-	0%	37.9	100%	37.9	-	0%	37.9	100%	37.9	-	0%	37.9	100%	37.9
4	Population Distribution ³	-	0%	94.4	100%	94.4	-	0%	98.4	100%	98.4	-	0%	102.2	100%	102.2	-	0%	106.5	100%	106.5
5	Any area of the state	42.2	86%	7.0	14%	49.2	42.2	86%	7.2	14%	49.3	42.2	86%	6.9	14%	49.1	42.2	86%	7.0	14%	49.2
6	Statewide Planning and Research	0.9	23%	3.1	77%	4.0	1.0	25%	3.0	75%	4.0	1.0	25%	3.1	75%	4.1	1.1	25%	3.2	75%	4.2
7	Transportation Alternatives	-	0%	10.8	100%	10.8	-	0%	10.8	100%	10.8	-	0%	10.8	100%	10.8	-	0%	10.8	100%	10.8
8	Recreation Trails	1.9	100%	-	0%	1.9	1.9	100%	-	0%	1.9	1.9	100%	-	0%	1.9	1.9	100%	-	0%	1.9
9	Highway Safety Improvement Program (HSIP)	16.0	37%	27.5	63%	43.5	16.3	37%	28.0	63%	44.3	16.6	37%	28.5	63%	45.1	17.0	37%	29.1	63%	46.0
10	Highway Safety ⁴	11.8	30%	27.5	70%	39.3	12.0	30%	28.0	70%	40.0	12.2	30%	28.5	70%	40.7	12.5	30%	29.1	70%	41.5
11	Rail-Highway Crossing ⁷	4.2	100%	0.0	0%	4.2	4.3	100%	0.0	0%	4.3	4.4	100%	0.0	0%	4.4	4.5	100%	0.0	0%	4.5
12	Congestion Mitigation and Air Quality Program (CMAQ)	-	0%	37.6	100%	37.6	-	0%	38.3	100%	38.3	-	0%	39.0	100%	39.0	-	0%	39.8	100%	39.8
13	National Highway Freight Program	18.8	100%	-	0%	18.8	20.5	100%	-	0%	20.5	23.1	100%	-	0%	23.1	25.7	100%	-	0%	25.7
14	CORE Programs (Net of SPR Amounts)	436.4	64%	244.2	36%	680.6	438.5	63%	256.8	37%	695.3	441.4	62%	269.7	38%	711.0	444.2	61%	283.8	39%	728.0
15																					
16	Statewide Planning and Research	13.8	100%	-	0%	13.8	14.1	100%	-	0%	14.1	14.4	100%	-	0%	14.4	14.8	100%	-	0%	14.8
17	Metropolitan Planning Program	-	0%	7.4	100%	7.4	-	0%	7.6	100%	7.6	-	0%	7.8	100%	7.8	-	0%	7.9	100%	7.9
18																					
19	Washington Total	450.2	64%	251.6	36%	701.8	452.6	63%	264.4	37%	717.0	455.8	62%	277.4	38%	733.2	459.0	61%	291.8	39%	750.8
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Notes:

1. FFY 2015 figures are from the Federal Highway Administration (FHWA) Computational Tables found at: http://www.fhwa.dot.gov/map21/docs/fy_2015_computational_tables.pdf
2. FFY 2016 figures are from the Federal Highway Administration (FHWA) Computational Tables found at: <http://www.fhwa.dot.gov/fastact/comptables/>
3. The percentage to be suballocated by population grows over the period of the FAST Act (51% in FY 2016; 52% in FY 2017; 53% in FY 2018; 54% in FY 2019; 55% in FY 2020).
4. The State Planning and Research (SPR) set-aside is calculated off of the Highway Safety amount.
5. FFY 2017 through FFY 2020 are estimated highway apportionments under the FAST Act found at <http://www.fhwa.dot.gov/fastact/estfy20162020apports.pdf>
6. Under MAP-21, In FFY 2015 the Transportation Alternatives Program (TAP), which includes Recreational Trails, was funded with set-asides from the NHPP (\$7.48M), STP (\$3.44M), HSIP (\$0.74M), CMAQ (\$0.71M), and MPP (\$0.14M). The FAST Act, eliminates the Transportation Alternatives Program and replaces it with a set-aside of STBG program funding for transportation alternatives.
7. This analysis does not include the assumption that Rail-Highway Crossing funds will move to local agencies in FFY 2018 or potential adjustments needed to maintain the agreed upon distribution splits.
8. This analysis does not include an assumption regarding sequestration or the FFY 2020 rescission included in the FAST Act.