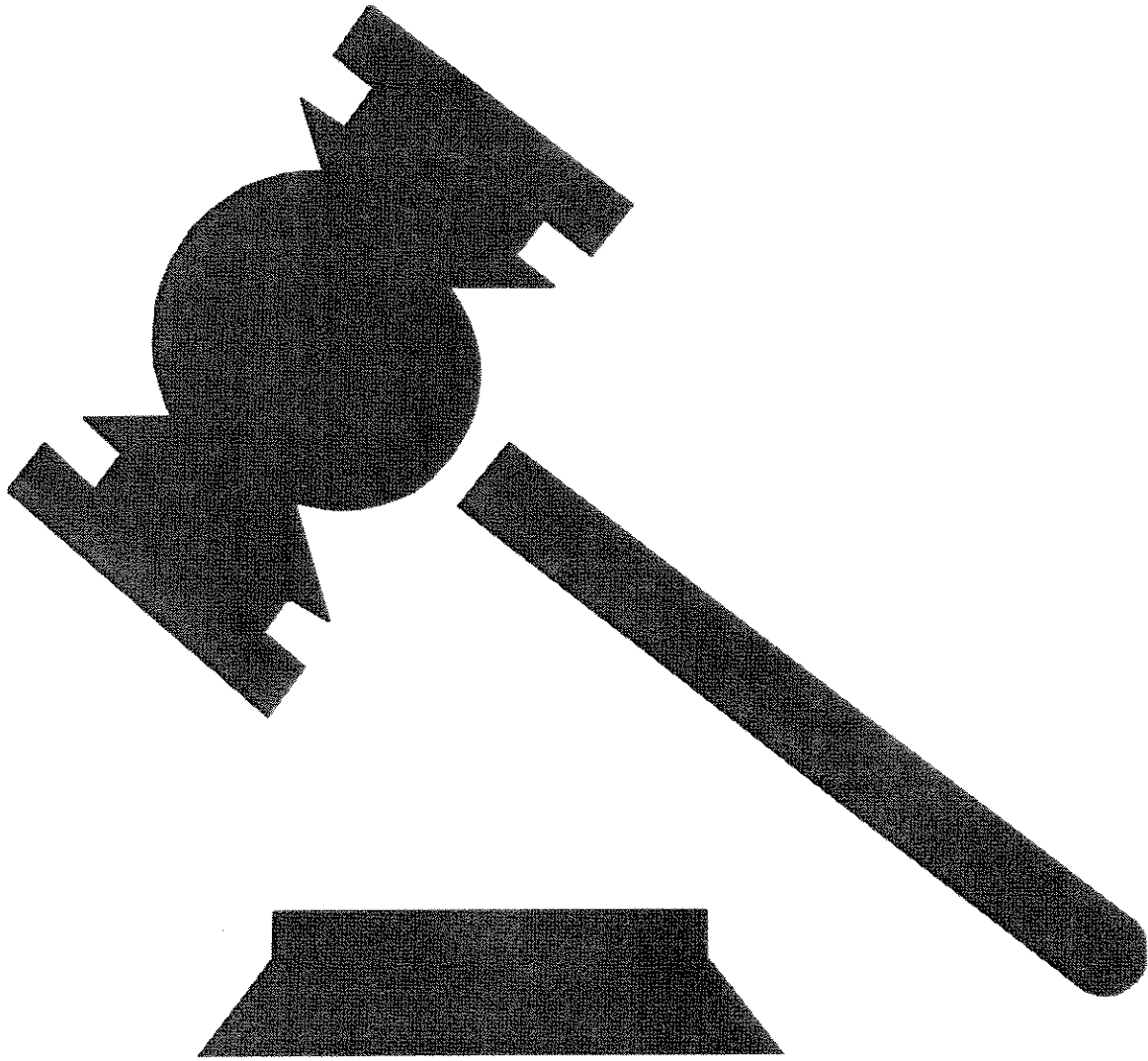




***TRANSPORTATION
ACTION/DISCUSSION ITEMS
AGENDA ITEM III. A.***

Local Agency Requested ARRA Projects Within Local Federal Stimulus Target

	Local Agency	ID #	Action	Description	ARRA Funds	Total Project Cost
1	Clovis	FRE092512/ FRE092508	Combine	Temperance Avenue, Gettysburg - Gould Canal	\$ 525,000	800000
2	Clovis	FRE092606	new	Lump Sum Road Maintenance		
a				Shaw Avenue, Minnewawa - Clovis	\$ 650,304	750000
b				Bullard, Fowler - Armstrong	\$ 300,000	400000
c				Nees Avenue, Peach - Minnewawa	\$ 350,000	500000
3	Coalinga	FRE020650	old FTIP	Elm Ave Beautification-Removal and Replacement of existing curb/gutter. Installation of Ornamental Streetlights, Landscaping, Irrigation and Street Furniture.	\$ 369,076	972900
4	Firebaugh	FRE092607	new	Reconstruction of Downtown Sidewalks and Ramps	\$ 160,000	160000
5	Fowler	FRE092608	new	Adams Ave. between Vista St. and Dee Ann St.-Construct pavement section to match to future curb, resurfacing entire pavement section of Adams Ave. between Vista St. and Dee Ann St. in the City of Fowler.	\$ 160,000	160000
6	Fresno	FRE092609	new	Lump Sum Reconstruct/Resurfacing		
a				Blackstone Avenue Resurfacing, Shaw Avenue to Nees Avenue	\$ 1,700,000	\$ 1,700,000
b				Friant Road Reconstruction/Resurfacing, SR 41 to Shepherd Avenue	\$ 2,500,000	\$ 2,500,000
c				Divisadero Street Resurfacing, H Street to Clark Street	\$ 700,000	\$ 700,000
d				Clovis Avenue Resurfacing, McKinley Avenue to Kings Canyon Road	\$ 1,295,000	\$ 1,295,000
e				Shaw Avenue resurfacing, Marks Avenue to Blythe Avenue	\$ 826,600	\$ 826,600
7	Fresno	FRE092610	new	Lump Sum Traffic Signal		
a				Install traffic signal at the intersection of Millbrook Avenue & Shepherd Avenue	\$ 370,000	\$ 370,000
b				Install traffic signal at the intersection of Marks Avenue & Emerson Avenue	\$ 500,000	\$ 500,000
c				Install traffic signal at the intersection of Maple Avenue & Perrin Avenue	\$ 300,000	\$ 300,000
d				Install traffic signal at the intersection of Cedar Avenue & Woodward Avenue	\$ 460,000	\$ 460,000
e				Install traffic signal at the intersection of Maple Avenue & Teague Avenue	\$ 400,000	\$ 400,000
f				Install traffic signal at the intersection of Maple Avenue & Behymer Avenue	\$ 360,028	\$ 360,028
8	Huron	FRE092611	new	Railroad Avenue Street Improvements-Street Improvements from Los Angeles to Lassen Ave. Overlay existing pavement and construct new to widen narrow pavement.	\$ 160,000	160000
9	Kerman	FRE070610	supplement	Kearney Blvd. Del Norte to 3rd.-Median Island Improvements	\$ 268,690	880000
10	Kingsburg	FRE040113	old, supplement	10th Avenue Sidewalks - Sierra to Stroud	\$ 50,000	\$ 132,100
11	Kingsburg	FRE070113	supplement	Sierra Street Pedestrian Facilities	\$ 147,945	\$ 258,245
12	Kingsburg	FRE041817	supplement	18th Avenue Median - Kamm to Solig-Median Island Improvements	\$ 20,000	\$ 173,300
13	Mendota	FRE070612	supplement	9th Street Reconstruction - Marie St. to Oller St. (SH-180)	\$ 189,485	\$ 504,385
14	Orange Cove	FRE092612	new	Center Street Reconstruction South to Adams	\$ 208,593	516700
15	Parlier	FRE092613	new	Manning Ave. btw. Academy Ave. and Whitener Ave.-Spot repair, resurfacing and restriping of Manning Ave. between Academy Ave. and Whitener Ave. in the City of Parlier.	\$ 257,983	257983
16	Reedley	FRE020633	supplement	Roundabout at Dinuba and Buttonwillow	\$ 495,328	\$ 1,076,628
17	Sanger	FRE092614	new	Lump Sum Reconstruct/Resurfacing		

a				Rehabilitation: Church Avenue – Bethel Avenue to Greenwood Avenue	\$ 242,456	350000
18				Rehabilitation: Academy Avenue – California Avenue to Church Avenue	\$ 242,456	360000
19	San Joaquin	FRE070616	supplement	Main Street from Arizona to Placer	\$ 160,000	530000
20	Selma	FRE092615	new	Lump Sum Reconstruct/Resurfacing		
21				Reconstruction/rehabilitation of Mitchell from Nebraska to Yerba	\$ 450,799	450799
22	County	FRE092616	new	Lump Sum Reconstruct/Resurfacing	\$ 3,373,611	\$3,373,611
a				CORNELIA AVENUE from Lincoln to Central		
b				HAYES AVENUE from Belmont to McKinley		
c				MC CALL AVENUE from SR 180 to Belmont		
d				CEDAR AVENUE from Elkhorn to Mt Whitney		
e				LINCOLN AVENUE from Brawley to Cornelia		
f				ANNADALE AVENUE from Riverbend (South) to 1.33 mi. e/o Riverbend		
g				ADAMS AVENUE from Chestnut to Peach		
h				BULLARD AVENUE from Douglas to Newcomb Alignment		
i				ADAMS AVENUE from Highland to Del Rey		
j				MT WHITNEY from Sonoma to Stanislaus		
k				ALTA from American to Dinuba		
l				BELMONT from Fowler to Academy		
m				JAYNE from Howard Alignment to Siskiyou		

Total

\$ 18,193,354



2035 Tulare Street, Suite 201
Fresno, California 93721

Telephone: (559) 233-4148 • Fax: (559) 233-9645
Website Address: www.fresnocog.org

DATE: March 9, 2009

TO: Interagency Consultation Partners and Interested Parties

FR: Renee DeVere-Oki, Planner III

RE: Availability of Draft Amendment #5 to the 2009 FTIP for Interagency Consultation and Public Review

The Council of Fresno County Governments (Fresno COG) is proposing a formal amendment (Type # 3) to the 2009 Federal Transportation Improvement Program (FTIP). The 2009 FTIP is the programming document that identifies four years (FY 08/09, FY 09/10, FY 10/11, and FY 11/12) of federal, state and local funding sources for projects in Fresno County. The proposed amendment will be circulated for a 14-day public comment period. Fresno COG's adopted amendment procedures do not require a public hearing for Amendment Types #2 and #3. Additionally, Types #2 and #3 amendments can be approved by the Fresno COG Executive Director as authorized by the Fresno COG Policy Board.

The FTIP as amended meets all the applicable transportation planning requirements per 23 CFR Part 450. This amendment includes the addition of exempt projects. FTIP amendment #5 is consistent with the 2007 Regional Transportation Plan. The funding changes do not interfere with the timely implementation of any approved TCMs, and the TIP as amended conforms to the applicable SIP. The changes do not interfere with air quality conformity or changes to conformity analysis years, therefore a new conformity determination is not required. State and Federal approval will be required.

Public Input

This amendment will be available for 14 day public review and comment beginning March 9, 2009 concluding on March 23, 2009. Comments will be accepted on the FTIP amendment until 5:30 pm on March 23, 2009.

The following documentation is included in the Amendment #5 to the FTIP document and may also be found online at www.fresnocog.org:

- Attachment 1: Summary of Changes
- Attachment 2: CTIPS documentation
- Attachment 3: Revised Financial Plan

If you have questions regarding this amendment or wish to submit comments, please contact Renee DeVere-Oki at 559-233-4148 or via email at rdevere@fresnocog.org.

Member Agencies: The cities of Clovis, Coalinga, Firebaugh, Fowler, Fresno, Huron, Kernan, Kingsburg, Mendota, Orange Cove, Parlier, Reedley, San Joaquin, Sanger, Selma & Fresno County

ATTACHMENT 1

PROJECT LIST FORMAL AMENDMENT #5, Type 3:

Existing or New Project	MPO FTIP/RTP ID	PROJECT TITLE	FFY to be Programmed	Phase	Fund Source	DESCRIPTION OF CHANGE
New	FRE092601	Regional Automated Farebox System	08/09	CON	ARRA	This is a new exempt project. Adds: \$2,300,000 of ARRA funds to the CON phase of this project in FFY 08/09.
Existing	FRE092403	CNG Replacement Buses	08/09	CON	ARRA	Adds: \$1,000,000 of ARRA funds to the CON phase of this project in FFY 08/09.
New	FRE092602	Remodel Existing Transit Facility	08/09	CON	ARRA	This is a new exempt project. Adds: \$2,500,000 of ARRA funds to the CON phase of this project in FFY 08/09.
New	FRE092603	Fleet-wide Automated Passenger Counters	08/09	CON	ARRA	This is a new exempt project. Adds: \$1,000,000 of ARRA funds to the CON phase of this project in FFY 08/09.
Existing	FRE021510	Transit Enhancements	08/09	CON	ARRA	Adds: \$2,250,000 of ARRA funds to the CON phase of this project in FFY 08/09.
New	FRE092604	Purchase CNG Compressor	08/09	CON	ARRA	This is a new exempt project. Adds: \$250,000 of ARRA funds to the CON phase of this project in FFY 08/09.
Existing	FRE021507	Purchase Support Vehicles	08/09	CON	ARRA	Adds: \$112,685 of ARRA funds to the CON phase of this project in FFY 08/09.
Existing	FRE021503	Preventive Maintenance	08/09	CON	ARRA	Adds: \$1,850,000 of ARRA funds to the CON phase of this project in FFY 08/09.
New	FRE092521	Parking Shelters with Solar Panels	11/12	CON	Local	Adds: \$2,000,000 of Local funds to the CON phase of this project in FFY 11/12.
New	FRE092522	Handy Ride Fleet Refurbish/Rebrand	11/12	CON	Local	Adds: \$450,000 of Local funds to the CON phase of this project in FFY 11/12.
New	FRE092605	Preventative Maintenance	08/09	CON	ARRA	Adds: \$1,719,500 of ARRA funds to the CON phase of this project in FFY 08/09.
						Total: 08/09 5311 ARRA \$1,719,500 08/09 5307 ARRA \$11,262,685 11/12 Local \$2,450,000

Additional update to FTA ARRA revenue funding per March 5, 2009 Federal Register Notice.

2008/09
COUNCIL OF FRESNO COUNTY GOVERNMENTS
Draft Federal Stimulus Target
02/19/08

Estimated Gross Amount Available

18,193,354

MEMBER	CENSUS	PERCENT	GROSS AMOUNT	\$160,000		PRORATA TARGET
	POPULATION 01/01/08			BASE Increment	REDUCTION	
Clovis	94,278	10.13%	1,842,162	0	(16,858)	1,825,304
Coalinga	19,063	2.05%	372,485	0	(3,409)	369,076
Firebaugh	6,811	0.73%	133,085	26,915	0	160,000
Fowler	5,572	0.60%	108,875	51,125	0	160,000
Fresno City	486,116	52.21%	9,498,549	0	(86,921)	9,411,628
Huron	7,553	0.81%	147,583	12,417	0	160,000
Kerman	13,878	1.49%	271,172	0	(2,482)	268,690
Kingsburg	11,257	1.21%	219,958	0	(2,013)	217,945
Mendota	9,787	1.05%	191,235	0	(1,750)	189,485
Orange Cove	10,774	1.16%	210,520	0	(1,927)	208,593
Parlier	13,325	1.43%	260,366	0	(2,383)	257,983
Reedley	25,584	2.75%	499,903	0	(4,575)	495,328
Sanger	25,046	2.69%	489,391	0	(4,479)	484,912
San Joaquin	4,521	0.49%	88,339	71,861	0	160,000
Selma	23,284	2.50%	454,962	0	(4,163)	450,799
Fresno Co.	174,249	18.71%	3,404,769	0	(31,158)	3,373,611
TOTALS	931,098	100%	18,193,354	162,118	(162,118)	18,193,354

2008/09
COUNCIL OF FRESNO COUNTY GOVERNMENTS
Draft Federal Stimulus Target
02/19/08

Estimated Gross Amount Available

16,000,000

MEMBER	CENSUS	PERCENT	GROSS AMOUNT	\$160,000		PRORATA TARGET
	POPULATION 01/01/08			BASE Increment	REDUCTION	
Clovis	94,278	10.13%	1,620,074	0	(22,849)	1,597,225
Coalinga	19,063	2.05%	327,579	0	(4,620)	322,959
Firebaugh	6,811	0.73%	117,040	42,960	0	160,000
Fowler	5,572	0.60%	95,749	64,251	0	160,000
Fresno City	486,116	52.21%	8,353,423	0	(117,815)	8,235,608
Huron	7,553	0.81%	129,791	30,209	0	160,000
Kerman	13,878	1.49%	238,480	0	(3,363)	235,117
Kingsburg	11,257	1.21%	193,440	0	(2,728)	190,712
Mendota	9,787	1.05%	168,180	0	(2,372)	165,808
Orange Cove	10,774	1.16%	185,141	0	(2,611)	182,530
Parlier	13,325	1.43%	228,977	0	(3,229)	225,748
Reedley	25,584	2.75%	439,636	0	(6,200)	433,436
Sanger	25,046	2.69%	430,391	0	(6,070)	424,321
San Joaquin	4,521	0.49%	77,689	82,311	0	160,000
Selma	23,284	2.50%	400,113	0	(5,643)	394,470
Fresno Co.	174,249	18.71%	2,994,297	0	(42,231)	2,952,066
TOTALS	931,098	100%	16,000,000	219,731	(219,731)	16,000,000

LAO

Mac Taylor
Legislative Analyst

March 10, 2009

2009-10 Budget Analysis Series

Federal Economic Stimulus Package: Fiscal Effect on California



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SUMMARY

The recently enacted federal economic stimulus package—titled the American Recovery and Reinvestment Act (ARRA)—commits a total of \$787 billion nationwide. As reflected in the figure below, this funding provides: (1) \$330 billion in aid to the states, (2) about \$170 billion for various federal projects and assistance for other non-state programs, and (3) \$287 billion for tax relief.

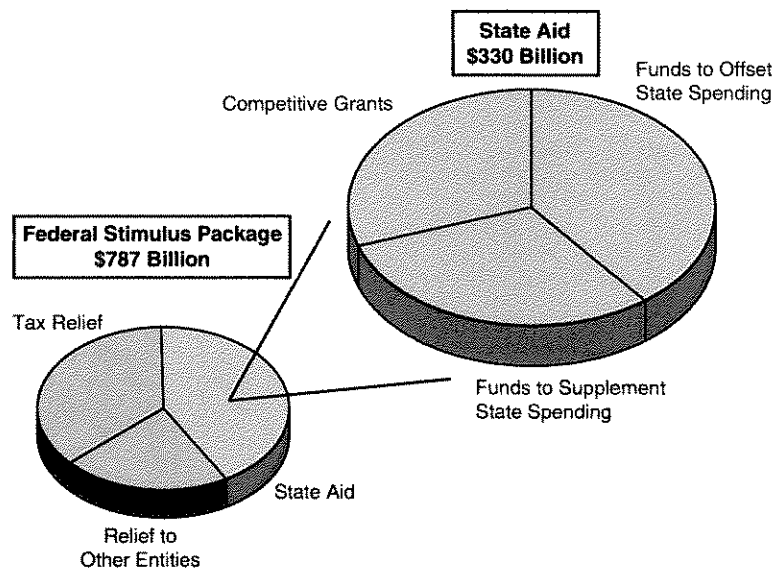
This report focuses on the state aid component of the stimulus package, as it consists of the federal dollars with which the Legislature will be most involved. As the figure shows, the state aid “pie” also consists of three pieces: (1) federal dollars that can be used to address budget shortfalls, (2) funds that supplement existing state spending, and (3) competitive grants. We estimate that California will receive over \$31 billion from the first two components (see table on next page) and billions more in competitive grants.

The State “Trigger”

A significant portion of the \$31 billion in aid to California will be available to address the state’s budgetary problems. We estimate that, based on the enacted state 2009-10 budget, California can use \$10.4 billion in new federal dollars for this purpose over the life of ARRA. Of that amount, \$8 billion would be available in 2008-09 and 2009-10. The Director of Finance and State Treasurer will determine their own estimate of the latter amount by April 1 of this year. If the amount is less than \$10 billion, then annual state program reductions of nearly \$1 billion and revenue increases of about \$1.8 billion adopted as part of the 2009-10 budget package will go into effect.

Given the state’s continuing economic struggles, however, it is possible that state revenues (and the Proposition 98 minimum funding level) may continue to fall. In that case, it may be possible to use additional federal education dollars for budgetary relief.

Federal Economic Stimulus Package Provides Significant Aid for States



Key Considerations for the Legislature

The Legislature will need to take many actions in the coming months to ensure that the funds are used in ways that meet its priorities and preferences. To assist in this process, we offer the following considerations in making decisions regarding these new federal funds:

- **Maximize the Benefit of Federal Funds to the General Fund Budget.** In this report, we make specific recommendations about how to help the state's budgetary situation under different scenarios.
- **Recognize the Short-Term Nature of New Federal Funds.** Most of the state aid coming to California is intended to *supplement* current state spending. There is the risk, however, that the higher levels of service provided by the federal dollars will create ongoing expectations of state support once the funding expires. We offer strategies to address this risk.
- **Act Quickly in a Handful of Cases.** In certain instances, the state will need to act rapidly to ensure it receives the maximum amount of relief or to use the funds in the most effective way possible. Addressing a Medi-Cal eligibility issue and providing direction on the use of transportation funds are two such examples.
- **Use Next Few Months to Oversee Implementation of New Federal Spending.** For most of the new federal dollars and programs, the Legislature will have more time to take necessary actions. For example, the Legislature can use its budget process to monitor the state's revenue picture and take whatever actions are needed to use federal

dollars to keep the 2009-10 budget in balance. Similarly, the Legislature can use policy and budget subcommittee hearings to craft needed legislation, specify its wishes as to how new dollars are to be spent and oversee the administration's plans with regards to the new funds.

California Will Receive Over \$31 Billion in State Aid

(In Millions)

Program Area	Federal Fiscal Year			Totals
	2008-09	2009-10	2010-11	
Health	\$3,986	\$4,026	\$1,024	\$9,036
Education	—	7,973	—	7,973
Labor and workforce development	3,498	2,420	79	5,997
Social Services	1,500	1,441	577	3,518
Transportation	1,302	1,302	—	2,604
General purpose fiscal stabilization	—	1,100	—	1,100
Resources/environmental	597	—	—	597
Housing programs	381	—	—	381
Criminal justice	264	—	—	264
Other	27	—	—	27
Totals^a	\$11,555	\$18,262	\$1,680	\$31,497

^a Does not include significant additional federal funds the state is likely to receive from competitive grants.

OVERVIEW OF THE AMERICAN RECOVERY AND REINVESTMENT ACT

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA) of 2009, H.R. 1. The spending and tax-cut plan is intended to help stabilize state budgets and spur economic growth. The stimulus package commits a total of \$787 billion nationwide, and it will have a significant fiscal impact on California.

One-Third of the Federal Funding Is for State Aid

Figure 1 shows how ARRA funding falls into three main categories. The stimulus package provides about \$330 billion in federal funds in aid to states. A variety of tax provisions intended to boost the economy will cost the U.S. Treasury \$287 billion more. Finally, about \$170 billion is available to be spent by federal agencies on federal projects or for other non-state programs, such as direct grants to local entities.

State Aid Comes in a Variety of Forms

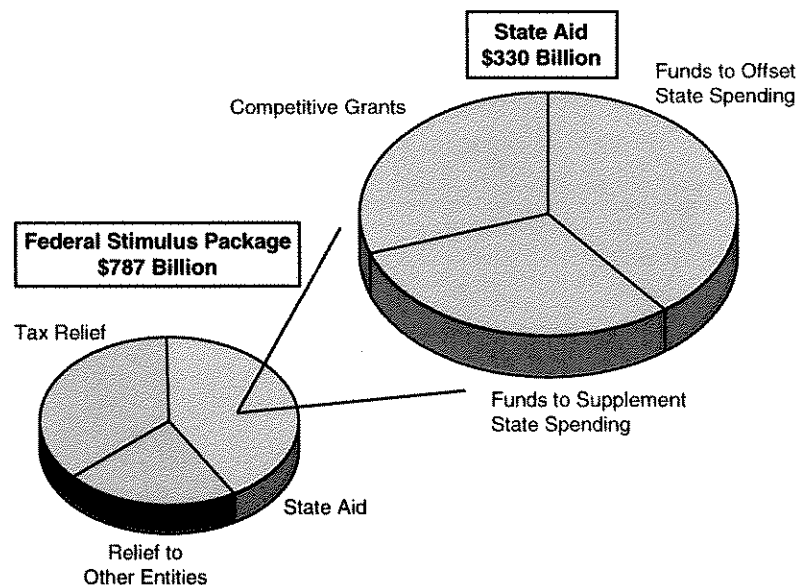
Of the roughly \$330 billion in aid available nationwide for states:

- Almost \$100 billion is available to supplant or offset states' general fund spending.
- As much as \$130 billion will be available to states to supplement or increase state spending on a wide variety of programs.
- States and other entities (such as local governments) will also be able to apply for up to \$100 billion in competitive or discretionary grants.

All of the funding for state relief is provided on a temporary basis and generally will be only available for the next few years.

Figure 1

Federal Economic Stimulus Package Provides Significant Aid for States



California Will Receive a Significant Amount of Additional Federal Funds

Of the \$330 billion available under ARRA nationwide for state aid, we estimate that California will receive approximately \$31 billion in additional federal funds during the current and the next two federal fiscal years (FFYs). As Figure 2 shows, the state's health programs will receive the largest share of these federal funds, about \$9 billion, and education-related programs will receive nearly \$8 billion in additional federal funds. These programs are followed by labor and workforce development and social services programs, which will receive about \$6 billion and \$3.5 billion, respectively.

In some of the program areas, the year-by-year flows of funds are estimates and may occur differently than depicted in Figure 2. In addition, this figure does not capture the unknown, but potentially significant additional federal funds that the state is likely to receive when it applies

for competitive grant funding included in ARRA. Finally, given the complexity of this legislation, our estimates of the state's allocations included in this report should be considered preliminary and subject to revision as more information becomes available.

Some Federal Funds Are Available To Offset General Fund Spending

2009-10 Budget Package Is Linked to Federal Fiscal Relief. The Governor signed the *2009-10 Budget Act* and related legislation on February 20, 2009, to address the state's projected \$40 billion shortfall. Based on the administration's estimates, the act assumes that the state will receive \$8 billion in federal stimulus funds to offset General Fund expenditures. The Governor vetoed an additional \$510 million from the universities' budgets in anticipation that even more fiscal relief would be available to backfill that reduction.

Figure 2
California Will Receive Over \$31 Billion in State Aid

(In Millions)

Program Area	Federal Fiscal Year			Totals
	2008-09	2009-10	2010-11	
Health	\$3,986	\$4,026	\$1,024	\$9,036
Education	—	7,973	—	7,973
Labor and workforce development	3,498	2,420	79	5,997
Social Services	1,500	1,441	577	3,518
Transportation	1,302	1,302	—	2,604
General purpose fiscal stabilization	—	1,100	—	1,100
Resources/environmental	597	—	—	597
Housing programs	381	—	—	381
Criminal justice	264	—	—	264
Other	27	—	—	27
Totals^a	\$11,555	\$18,262	\$1,680	\$31,497

^a Does not include significant additional federal funds the state is likely to receive from competitive grants.

LAO Estimates of Offsets Under Budget Package. Our estimates of federal funds that can offset General Fund costs under the 2009-10 budget package are similar to the administration's. As Figure 3 shows, we project that state spending would be reduced by almost \$8 billion through 2009-10, with an additional \$2.4 billion in offsets in 2010-11.

These amounts capture offsets in General Fund expenditures that

occur “on the natural” or with the state making relatively minimal changes to existing programs to receive the funds. For example, the single greatest source of relief comes from the increase in the percentage of program costs funded by the federal government for the state’s Medicaid program, known as Medi-Cal in California. This source of funding and the others shown in Figure 3 are discussed in more detail later in this report.

Federal Stimulus and the State Trigger

The budget package requires the State Treasurer and the Director of Finance to determine by April 1, 2009 if ARRA makes available by June 30, 2010 additional federal funds that may be used to offset at least \$10 billion in General Fund expenditures. If they determine that federal fiscal relief reaches that \$10 billion threshold, then nearly \$1 billion in cuts to various programs

and a 0.125 percentage point increase in personal income tax rates included in the budget package would trigger off—that is, not go into effect.

Language Open to Interpretation. The language in the *2009-10 Budget Act* describing what needs to happen in order for the trigger to be reached is somewhat open to interpretation. For example, the language states that the federal legislation must “make available” by June 30, 2010, federal funds “that may be used” to offset \$10 billion in General Fund expenditures. This wording raises such questions as whether \$10 billion must actually be used to offset state General Fund costs, or whether this requirement would be satisfied if funds of this amount were identified that theoretically could be used in this way.

Our estimate of \$8 billion in federal funds being available to offset General Fund expenditures, shown in Figure 3, excludes offsets

Figure 3

Stimulus Funds Potentially Available to Offset General Fund Expenditures

*Based on Enacted Budget Package
(In Millions)*

Program Area/Provision	State Fiscal Year			2008-09 and 2009-10 Combined	All Years
	2008-09	2009-10	2010-11		
General Purpose					
State Fiscal Stabilization Fund	—	\$1,100	—	\$1,100	\$1,100
Health					
Medi-Cal-related programs	\$2,631	\$3,740	\$1,957	\$6,371	\$8,328
Early Start program	—	53	—	53	53
Labor and Workforce Development					
Workforce Investment Act discretionary funds	—	\$37	\$37	\$37	\$74
Unemployment Insurance—interest relief	—	30	209	30	239
Social Services					
CalWORKs Emergency Fund	\$40	\$200	\$190	\$240	\$430
Foster Care and Adoption Assistance programs	33	45	24	78	102
Department of Child Support Services	22	30	7	52	59
Totals^a	\$2,726	\$5,235	\$2,424	\$7,961	\$10,385

^a The General Fund impact of the education American Recovery and Reinvestment Act funds is addressed later in this report.

the state might achieve from education-related federal funds. This is because our estimate is based on the level of state revenues assumed in the *2009-10 Budget Act* and the corresponding level of support provided for state education programs. The state's continuing economic struggles, however, suggest that revenues (and the Proposition 98 minimum guarantee) may continue to fall. Under such a scenario, it may be possible to use additional federal education funding to offset

a greater amount of General Fund spending for state education programs, as we discuss in the "Education" section of this report. Ultimately, the interpretation of this provision of statute is a matter for the Director of Finance and the State Treasurer to decide. The administration has indicated that its preliminary conclusion is that the available federal funds will be insufficient to avoid the tax increase and cuts contained in the February budget package.

KEY CONSIDERATIONS FOR THE LEGISLATURE

As noted earlier, the federal economic stimulus package will provide about \$31 billion in additional federal dollars directly to the state for a wide array of programs. In response, the Legislature will need to take many actions in the coming months to ensure that the funds are used in ways that meet its priorities and preferences. To assist in that process, we discuss below some key considerations in making decisions regarding these new federal funds.

Maximize the Benefit of Federal Funds on the General Fund Budget. Given both the deteriorating economic situation and the gloomy out-year state budget forecast, we believe the Legislature must maximize the use of stimulus dollars to offset General Fund expenditures. In this report, we make specific recommendations about how to do so. Some federal dollars may only be available for General Fund relief in certain situations (such as certain education funds if state revenues decline further).

Recognize the Short-Term Nature of New Federal Funds. Most of the state aid coming to California is intended to *supplement* current state spending. There is the risk, however, that the higher levels of service provided by the federal

dollars will create ongoing expectations of state support once the funding expires. There are ways to limit this risk:

- The Legislature should dedicate this limited-term federal assistance as much as possible to limited-term purposes. For instance, we recommend using some of the education funds to pay for one-time mandate costs and data systems development.
- For ongoing programs receiving supplemental funding, the Legislature could spread out dollars over three years (instead of one or two), thereby reducing the level of new spending. In addition, the Legislature could make explicit that the supplemental funding is in effect only for the duration of the added federal funds.
- The Legislature could also use the near term to explore and implement program reforms that often take several years to achieve savings. For example, the Legislature could expand "pay for performance" programs that provide fiscal incentives

for Medi-Cal providers that could ultimately save tens of millions of dollars annually. By starting now, the state would be more likely to have in place programmatic savings that could offset the loss of supplemental federal funds in the out-years.

Act Quickly in a Handful of Cases. In certain instances, the state will need to act rapidly to ensure it receives the maximum amount of relief or to use the funds in the most effective way possible. We have identified the following situations where quick action is needed:

- To receive major new federal funding for the Medi-Cal Program, California must make a change in state law regarding eligibility by July 1, 2009.
- The Legislature should provide direction on its preferred approach to distributing new federal dollars for transportation and input on the federal government's plans regarding the allocation of high-speed rail funds.
- To fully access state clean waters monies, legislation must authorize specific types of financial assistance.

EDUCATION

As Figure 4 (see next page) shows, ARRA will provide California with almost \$8 billion in state-administered education funding. The ARRA also allows the state to apply directly for billions of dollars in additional grants and subsidized bonds. In addition, ARRA offers the potential for California to benefit indirectly from billions more in competitive grants, tax credits, and subsidies

Use Next Few Months to Oversee Implementation of New Federal Spending. For most of the new federal dollars and programs, the Legislature will have more time to take necessary actions. For example, the Legislature can use its budgetary process to monitor the state's revenue picture and take whatever actions are needed to use federal dollars in keeping the 2009-10 budget in balance. Similarly, the Legislature can use policy and budget subcommittee hearings to:

- Address any needed legislation related to the use of new federal dollars.
- Oversee departments' plans and efforts in applying for competitive grants and spending supplemental funds.
- Ensure that the use of federal stimulus dollars is consistent with existing state policies.
- Provide any needed assistance to local governments regarding their use of new federal dollars.

Below, we describe by program the additional federal funding the state will be receiving and major issues for legislative consideration.

to individuals, colleges, and local educational agencies (LEAs).

MAJOR PROVISIONS

State Fiscal Stabilization Fund

Nationwide, ARRA provides \$54 billion for state fiscal stabilization. Funding allocations are based on states' school-age and total popula-

tions. The majority of stabilization funding will support education (82 percent), with the remainder set aside for other government services.

California Will Receive Almost \$5 Billion to Support K-12 and Higher Education. According to the most recent U.S. Department of Education (USED) estimates, California will receive

\$4.9 billion in fiscal stabilization funds for K-12 and higher education. States must follow specific rules for distributing this funding between K-12 and higher education, as well as allocating funding within those sectors.

California Will Receive Additional \$1 Billion for Other Government Services. The state also

Figure 4
California to Receive Large Boost in Federal Funding for Education

(In Millions)

Program	Funding	Description
State Fiscal Stabilization Fund		
Education	\$4,875 ^a	Generally mitigates K-12 and higher education cuts.
State Incentive Grants	— ^b	Competitive program supports states that demonstrate need in certain education areas (including teacher quality, student data systems, and assessment systems) and presents innovative ways to address those needs.
Subtotal	(\$4,875)	
K-12 Education		
Title I	\$1,511 ^c	Supplemental services for low-income students and support for low-performing schools.
Individuals With Disabilities Education Act	1,268	Supplemental services for special education students.
Child Care and Development Block Grant	220	Approximately \$28 million is earmarked for specific activities. The rest must supplement state funding for child care for low-income families.
Enhancing Education Through Technology	71	Classroom use of technology. Funds may be used for hardware, software, infrastructure improvement, and professional development.
McKinney-Vento Homeless Assistance	18	School districts' efforts to educate homeless youth.
Child Nutrition	10	Assistance to high-need districts in purchasing meal-related equipment.
Institute of Education Sciences Grant	— ^b	Competitive program to help state develop/expand a statewide longitudinal student database.
School Construction Subsidies	— ^b	Tax credit bonds for public school construction or repair.
Qualified Zone Academy Bonds	— ^b	Interest-free tax credit bonds for qualified infrastructure efforts.
Impact Aid	— ^b	Facility cost funding for districts with high percentages of students living on federal land.
Title V Innovation and Improvement	— ^b	Competitive program to help districts and states develop performance-based compensation systems for teachers and administrators. Funds do not pass through state.
Subtotal	(\$3,098)	
Total Education Funding	\$7,973	

^a An additional \$1.1 billion is provided for other government services.

^b Total benefit for California is unknown at this time.

^c Consists of \$1.1 billion in basic grants, \$45 million in Program Improvement Grants, and \$383 million in School Improvement Grants.

will receive almost \$1.1 billion for “public safety and other government services.” This funding is relatively free of federal constraints. While funding does not need to be used for K-12 or higher education, the law specifically permits such uses, including school building modernization, renovation, and repair. The 2009-10 budget package assumes that these funds will be used to offset General Fund costs.

California Could Receive More Education Funding Through Competitive Grants. Of the \$54 billion in ARRA stabilization funding nationwide, the act sets aside \$5 billion for K-12 education incentive grants. The USED is to award these grants on a competitive basis. While LEAs will apply directly for some of these grants (\$650 million nationwide), states will apply for the remainder (\$4.4 billion nationwide). The portion going to states will be distributed according to their identified fiscal and program needs. At least 50 percent of the state money must be distributed to LEAs based on their Title I counts (number of low-income students).

Law Establishes Minimum Level of State Spending on Education. To receive fiscal stabilization funds, the state must maintain at least the same level of state support for K-12 and higher education as in 2005-06. If the state were to experience a “precipitous” decline in financial resources that threatens its ability to maintain sufficient state support, however, the U.S. Secretary of Education can waive or modify this requirement.

Funding Must First Be Used to Mitigate State Funding Cuts. Fiscal stabilization funds must first be used to mitigate state funding cuts for K-12 and higher education in 2009, 2010, and 2011. Funds for K-12 education must be allocated based on existing funding formulas, whereas states have discretion in how they allocate funds

for higher education. If a federal award is greater than needed to reach 2008 or 2009 state funding levels (whichever is higher), then remaining funds are to be allocated to K-12 education based on schools’ Title I counts. If a federal award is less than needed to restore education funding to 2008 or 2009 levels, then funds must be allocated in proportion to the relative shortfalls that exist for K-12 and higher education.

K-12 Education

As Figure 4 shows, ARRA funds 11 targeted K-12 programs—with California expected to receive at least \$3.1 billion, plus the opportunity to apply for various competitive grants. The majority of available monies provide supplemental funding on top of existing base federal grants. The ARRA funding typically is intended to be used consistent with existing program rules. It also funds several one-time opportunities for state or local improvements to K-12 infrastructure and systems.

Title I. The ARRA provides California with a \$1.5 billion augmentation to the existing Title I program to support supplemental services for low-income students. As a condition of receiving these funds, the California Department of Education (CDE) must provide the USED with information on the current per-pupil distribution of state and local funds.

- ***Formula Grants.*** The bulk of the Title I money (\$1.1 billion) is to be allocated using certain formulas that are based largely on LEAs’ concentration of low-income students. Schools must use funds to target services to low-income students who are not meeting or are in danger of not meeting academic proficiency standards. If more than 40 percent of students at a school are low-income,

then the school may run a “schoolwide” program, in which funding may be used for the benefit of all students rather than targeting only specific at-risk students. Of the \$1.1 billion, the state must set-aside 4 percent, or \$45 million, to support LEAs and schools in Program Improvement or PI. (LEAs and schools enter PI when they have failed to meet federal performance targets for two consecutive years.) Funding may be used for general LEA and school improvement activities.

- **School Improvement Grant (SIG).** The remaining funds (\$383 million) would be provided through a SIG, which is somewhat more restrictive. The SIG funding can only fund LEAs with schools in PI for specific school-level improvement activities. The SIG rules also specify minimum and maximum grants of \$50,000 and \$500,000, respectively, per PI school, but states can decide how to prioritize SIG funding among PI schools.

Special Education Funding. The ARRA provides a \$1.3 billion augmentation in Individuals with Disabilities Education Act (IDEA) funding for special education. Of this amount, \$1.2 billion is for K-12 education and \$41 million is for preschool. Consistent with IDEA, funding must be used to ensure that special education students receive a free and appropriate education as determined by their individualized education programs. Also consistent with IDEA, LEAs may use up to 50 percent of any year-over-year increase in IDEA monies to reduce their local maintenance-of-effort (MOE) requirement. Local savings resulting from a MOE reduction must be used for federal education priorities.

Child Care and Development Block Grant (CCDBG). The ARRA provides California \$220 million to supplement state funding for child care for low-income families. These CCD-BG funds are intended to allow the state to provide care to more children than otherwise would have been possible. Allowable uses include funding more child care slots, reducing family fees for child care, supplementing provider fees, lowering eligibility requirements to enable more families to use services, and professional development and recruitment of providers. Funds may not be used to construct facilities. Of the total funding, we estimate about \$28 million must be used to improve the quality and availability of child care, including \$10 million to improve the quality of infant and toddler care.

Enhancing Education Through Technology (EETT). The ARRA provides California \$71 million for supplemental support of the existing EETT program. Generally, EETT funds are intended to improve the use of technology in the classroom. Funds may be used to purchase hardware or software, undertake professional development, and support instructional technology staff and services at the local level.

McKinney-Vento Homeless Assistance. The ARRA provides California \$18 million for supplemental support of the existing McKinney-Vento Homeless Assistance program. Generally, these funds are intended to help districts improve the enrollment, attendance, and success in school of homeless children.

Child Nutrition Equipment. The ARRA provides California \$9.7 million for National School Lunch Program equipment assistance (a new one-time funding grant). The CDE is required to allocate these funds to LEAs through a competitive process based upon need for equipment

assistance. Priority is to be given to schools with at least 50 percent of the student population eligible for free or reduced price meals.

Student Longitudinal Data System Grants.

The ARRA includes \$250 million nationwide for competitive grants from the Institute of Education Sciences (IES) to support the development of statewide student longitudinal data systems that include postsecondary education and workforce information. Up to \$5 million of the funds nationally may be used for state data coordinators and for awards to public or private organizations to improve data coordination. Presumably, these grants will be similar to previous IES grants such as the one California used for the development of the California Longitudinal Pupil Achievement Data System (CALPADS).

New Subsidized School Construction

Bonds. The ARRA includes \$22 billion nationwide for a new type of subsidy for school construction bonds issued in calendar years 2009 and 2010. These bonds may be issued by state or local governments for (1) construction, rehabilitation, or repair of public school facilities; or (2) the acquisition of land on which a public school will be constructed. The amount of new bonds that states (including local governments within the state) can issue is based upon the number of children living below the poverty line in each state. Based on this criterion, California could issue about \$3 billion in subsidized bonds. (A portion of this amount is reserved for large school districts to issue bonds directly.)

Qualified Zone Academy Bond. The ARRA provides a \$1.4 billion augmentation nationwide to the existing Qualified Zone Academy Bonds (QZAB) program. These subsidized bonds can be used to improve facilities or provide teacher training for school districts in certain high pov-

erty areas. To participate, school districts must partner with a local business and develop an academic program that better prepares students for college or the workforce.

Impact Aid. The ARRA provides \$100 million nationwide for supplemental support of the existing Impact Aid program. The ARRA requires that 40 percent of this funding be distributed via formula grants directly to eligible districts and 60 percent be available for competitive grants. Impact Aid monies are intended to fund facility costs for districts with high percentages of students living on military bases and Native American reservations.

New Teacher Performance-Based Compensation Grants. The ARRA provides \$200 million nationwide for competitive grants intended to promote the development and implementation of performance-based compensation systems for teachers and administrators. States or districts with innovative program ideas in this area may apply for the grants.

Higher Education

The federal stimulus package funds five targeted higher education programs, which will provide benefits directly to California colleges or students. None of these programs require state administration.

Higher Education Tax Credits. Under current law, the federal Hope tax credit reimburses eligible students for the enrollment fees they pay for college. The stimulus package replaces the Hope credit with the American Opportunity tax credit, which is larger and available to more students. Figure 5 (see next page) summarizes these added features.

Pell Grants. The federal Pell Grant program provides grants to low-income undergraduate

students to help them with the costs of attending college. The ARRA increases the maximum Pell Grant from \$4,731 in 2008-09 to \$5,350 in 2009-10, and expands eligibility for the program. We anticipate that students at California public colleges and universities, including community colleges, will receive about \$500 million in additional Pell Grant funds in 2009-10.

Other Programs. Under ARRA, California universities are eligible for hundreds of millions of dollars in competitive grants for scientific research. Public and private colleges and universities in the state will receive an estimated \$21 million in additional federal work-study funds in 2009-10. Changes to the rules for Section 529 college savings plans will allow students to count computer equipment and technology and services, including Internet access, as qualified higher education expenses in 2009 and 2010. Additional teacher quality grants and Public Health Service Corps training funds for health care providers will benefit California higher education students and institutions. As we discuss in the "Labor and Workforce Development" section of this report, the federal

economic stimulus package directs funds to workforce investment boards for job training purposes. It is likely that community colleges and adult education programs will receive a portion of these funds to carry out such activities.

ISSUES FOR LEGISLATIVE CONSIDERATION

In this section, we discuss various opportunities the state has for using federal education funds to achieve General Fund relief. We also describe several other opportunities the state has for maximizing the benefit of these funds—for example, by using them to restore reductions made in the *2009-10 Budget Act*, mitigate deeper reductions in 2010-11 or 2011-12, or bolster existing state education initiatives.

Using Federal Funds to Offset State Education Expenditures

The 2009-10 budget package was premised on the use of only \$510 million of education federal stimulus funds to offset state costs. If the Proposition 98 minimum guarantee were to drop

Figure 5
New Federal Tax Credit Expands Hope Credit

Hope Credit (2008 Tax Year)	American Opportunity Credit (2009, 2010)
• Directly reduces tax bill. • Covers 100 percent of the first \$1,200 in tuition payments. Covers 50 percent of the second \$1,200 (for maximum tax credit of \$1,800). • Designed for students who: —Are in first or second year of college. —Attend at least half time. —Are attempting to transfer or acquire a certificate or degree. • Provides full benefits at adjusted income of up to \$96,000 for married filers (\$48,000 for single filers) and provides partial benefit at adjusted income of up to \$116,000 (\$58,000 for single filers).	• Directly reduces tax bill and/or provides partial tax refund to students without sufficient income tax liability. • Covers 100 percent of the first \$2,000 in tuition payments and textbook costs. Covers 25 percent of the second \$2,000 (for maximum tax credit of \$2,500). • Designed for students who: —Are in first through fourth year of college. —Attend at least half time. —Are attempting to transfer or acquire a certificate or degree. • Provides full benefits at adjusted income of up to \$160,000 for married filers (\$80,000 for single filers) and provides partial benefit at adjusted income of up to \$180,000 (\$90,000 for single filers).

from the enacted level due to declining revenues, however, the state could be in the position to use billions more in federal funds for budgetary solutions. This is due to the way that the stabilization requirements are structured. As shown in Figure 6, we identify almost \$7 billion in potential offsets to state education spending across the next three years assuming more pessimistic state revenues. Of this amount, approximately \$3.5 billion could be achieved in 2009-10 (or \$3 billion more than the current budget). In addition to the options listed in the figure, the state has an opportunity to reduce significantly its existing special education mandate obligations.

Use Education Stabilization Funding to Maximize General Fund Relief. California appears to have options for using most, if not all, education stabilization funding for state General Fund relief. The exact timing of such relief, however, would depend on several factors, including the interpretation of various formulas in the federal law and the final determination of the 2009-10 Proposition 98 minimum guarantee. For example, if revenues fell substantially below the level assumed in the budget, California could use more than \$3 billion in federal stabilization funding to offset 2009-10 state education expenditures and avoid having to make deeper cuts to education programs. In this case, approximately \$1.5 billion in stabilization funding would remain available to aid the state in 2010-11.

Options for Using Other Federal Funds. If

revenues were to deteriorate further, the state has additional options to achieve state General Fund relief by substituting federal funds for General Fund spending. Under this approach, programs would receive the same total amount of funding envisioned in the enacted 2009-10 budget, but more federal and less state funding would be used. These options include:

- **Title I/Economic Impact Aid (EIA).** The state EIA program provides funding for supplemental services for educationally disadvantaged students and English Learners (EL). Because EIA is partly based on Title I counts (and Title I counts overlap significantly with EL counts, the other EIA factor), EIA is a natural candidate for such a funding swap. This option would result in up to \$1.1 billion in General Fund (Proposition 98) savings spread across the next few years.
- **Title I/Quality Education Investment Act (QEIA).** The state QEIA provides funding to 487 schools for school improvement efforts. Given that the vast majority of

Figure 6
Potential Federal Offsets to State General Fund Education Expenditures

(In Millions)

Program	State Fiscal Year			Totals
	2009-10	2010-11	2011-12	
Education Stabilization Funds	\$3,321	\$1,554	—	\$4,875
Title I, Basic Grants	—	946	\$182	1,128
Title I, School Improvement Grants	—	192	192	383
Individuals with Disabilities Education Act (IDEA), state special schools	85	85	85	256
IDEA, residential placements	59	65	72	196
Totals	\$3,466	\$2,842	\$531	\$6,838

these schools are in federal PI and are implementing specific school-level improvement strategies consistent with SIG rules, SIG funding could be used to fund QEIA. This option would provide the state with up to \$383 million in General Fund (non-Proposition 98) savings spread across the next few years.

- **IDEA/State Special Schools.** The CDE operates three state special schools (the Fremont School for the Blind, the Fremont School for the Deaf, and the Riverside school for the Deaf) and three regional diagnostic centers (North, Central, and South). The state special schools and diagnostic centers are funded with Proposition 98 (\$47 million) and non-Proposition 98 (\$39 million) General Fund monies. The state could use IDEA funds to cover these costs over the next three years—resulting in total General Fund savings of \$256 million (\$140 million Proposition 98 and \$116 million non-Proposition 98).
- **IDEA/Residential Placement.** The Department of Social Services covers residential costs for special education students who have been diagnosed with serious emotional disorders and require residential placement. The state covers a share of these costs. The state could use IDEA funds to cover these costs over the next three years—resulting in total General Fund savings of \$196 million (non-Proposition 98).

Use IDEA Funding to Pay Retroactive Special Education Mandate Claims. In 1994, three

school districts filed a claim with the Commission on State Mandates arguing that Chapter 959, Statutes of 1990 (AB 2586, Hughes), constituted a reimbursable mandate by regulating the types of behavioral interventions that could be used for special education students. The administration recently negotiated a settlement with districts. Under the terms of the settlement, districts would receive \$520 million to cover retroactive claims. (Of this amount, \$10 million would be paid in 2009-10, with the remainder paid in \$85 million increments over the course of six years, beginning in the 2011-12 fiscal year.) We instead recommend using IDEA funding provided under ARRA to reimburse districts in 2009-10 for these retroactive claims in one lump sum. Under this approach, a dollar-for-dollar reduction in the state's outstanding mandate obligations would be achieved.

Other Opportunities for Maximizing Benefit of Federal Education Funds

Several other opportunities exist for the state to maximize the benefit of federal education funds.

Apply for State Incentive Grant, Use to Support Certain Education Programs. As described above, the state will need to apply if it is to benefit from any of the \$5 billion available nationwide for education incentive grants. While relatively little is known about the criteria that the U.S. Secretary of Education will use to evaluate grant proposals, federal law suggests grants must be used to improve academic achievement, especially at low-performing LEAs. Given this requirement, the state could use grant funds to restore some funding for certain education programs that were reduced in the *2009-10 Budget Act*. For example, the budget reduces funding for

alternative high schools, supplemental instruction related to failing the high school exit exam, EL programs, Foster Youth programs, state assessments, and an alternative teacher-training program. Incentive funding also might be reserved to mitigate future cuts in these areas.

Use Title I Set-Aside Funding to Benefit All Schools Serving Low-Income Students. Federal funding available to help low-income schools in need of academic improvement has exceeded identified program costs in recent years. As a result, the state has built up substantial carry-over funding. Thus, we recommend using the additional \$45 million in ARRA Title I set-aside funding to benefit all low-income students. To this end, we recommend allocating the additional funds using the basic Title I formulas, which would ensure funds are spread broadly across Title I schools. Title I regulations allow states to distribute set-aside funds in this manner when such funds are found to exceed PI needs.

Child Care and Development Block Grant. Due to the state budget situation, the 2009-10 Budget Act made various reductions to child care and development programs. The one-time increase in federal CCDBG funding comes with relatively restrictive rules requiring states to spend above existing levels. The funds, however, could be used to backfill cuts already made. Specifically, provider reimbursement rates, family fee rates, and/or the number of child care slots could be partly restored to prior-year levels. The \$220 million in available CCDBG funding would be sufficient to sustain some of these restorations through 2010-11. The restorations could be specifically linked to the duration of the availability of the federal funds.

Enhancing Education Through Technology. In recent years, the Legislature has considered

various proposals to provide funding to LEAs to prepare for implementation of CALPADS. The Legislature has recognized that while CALPADS will be of benefit both to the state and LEAs, the new system will require much work at the local level to collect and maintain reliable data. The limited-term federal EETT funding is an ideal source of funding for these activities. The EETT funding can be used for efforts to improve local infrastructure in preparation for CALPADS, train local staff on education data quality, and conduct various other related activities that generally will help prepare educators to use data and technology more effectively at the school-site level. In short, this one-time federal funding could offset the need for the state to provide additional funding for LEAs and/or allow for faster implementation of CALPADS.

Statewide Education Database Grant. California used a \$3.2 million IES grant to help fund the development of CALPADS, which will be fully implemented in the 2009-10 school year. While CALPADS will significantly improve the state's longitudinal student data system, it does not yet meet all of the federal criteria delineated for such systems. For example, recently enacted federal legislation requires such systems to include data from preschool through postsecondary education. CALPADS, however, currently is designed only to include K-12 student information. We recommend the state pursue additional IES funding to begin a CALPADS improvement project that would meet these federal requirements. (Such a project also could address California-specific issues highlighted in a recently released report, *Framework for A Comprehensive Education Data System*. This report, developed by McKinsey and Company at the request of CDE and the Governor, recommends a multi-

phased approach for expanding CALPADS to include preschool and postsecondary data as well as undertaking additional improvements to maximize security and data quality.)

Leverage Federal Tax Credits to Increase College Funding. In the *2009-10 Budget Analysis Series: Higher Education*, we noted that additional revenue could be raised through California Community Colleges (CCC) fees with minimal net effect on student costs. This is because financially needy students are exempt from fees, and most other students would be fully or partly reimbursed through federal tax credits. Because ARRA expands the size and availability of these tax credits, middle- and upper-income students would be even better protected from the effect of CCC fee increases. The Legislature, thus, could increase revenue received by community colleges through fees, while having only a minimal effect on college affordability. In effect, raising fees would be an effective strategy for leveraging more federal money for higher education.

In addition, the Legislature may wish to consider modifying the community college fee

waiver program into a no-interest loan program for needy students who could fully repay the loan with federal tax reimbursements. This action would add hundreds of millions of dollars in CCC revenues each year—without affecting affordability.

Adjust Campus Financial Aid Funding for Increases in Pell Grants. Both University of California (UC) and California State University (CSU) employ campus-based financial aid grant programs to help their students pay their education costs. In general, the campus-based aid programs seek to cover those costs that the student is unable to meet through family contributions, loans, and grants (such as Cal Grants and the Pell Grant). Because the size of Pell Grants will be increasing under ARRA, this will reduce the amount of aid to be covered by campuses. As noted by the Governor, this has the effect of providing fiscal relief to the campuses. The Legislature may wish to take this fiscal relief into consideration as it determines the level of state funding needed to cover university operations.

HEALTH

One of the largest portions of federal fiscal relief to states will come in the form of an increased federal share of costs for state Medicaid programs (known as Medi-Cal in California). Below, we summarize and discuss the increased federal share and other key health-related components of ARRA.

Increased Federal Share of Funding for Medi-Cal

The federal government pays a certain percentage of the cost of each state's Medicaid

program. This percentage is known as the federal medical assistance percentage or FMAP. The ARRA temporarily increases the FMAP for all states retroactively to October 2008 and continuing through December 2010, subject to certain requirements and restrictions, which we discuss below. The ARRA provides a base FMAP increase of 6.2 percentage points for all states, plus additional increases determined by a formula that incorporates each state's unemployment rate and current federal share.

Significant Funding for California. Based on recent employment data, California likely would qualify initially for the highest unemployment-based FMAP increase available under ARRA. Thus, our preliminary estimate is that Medi-Cal will receive an FMAP increase of 11.6 percentage points, equivalent to \$10.1 billion in additional federal funds for the state through December 31, 2010. This amount will be distributed among several state departments that administer portions of the Medi-Cal Program, as well as to local governments, who also share in the cost of some Medi-Cal services. Figure 7 summarizes our estimates of state and local savings. The state portion of the federal funds, \$8.3 billion, will reduce state General Fund costs over the period.

Requirements and Restrictions. In order to receive the enhanced FMAP, states must comply with certain requirements and restrictions. The most significant of these are the following:

- **Eligibility.** States may not receive the FMAP increase after July 1, 2009, unless they maintain eligibility levels and procedures that were in place as of July 1, 2008. The FMAP increase is not available for Medicaid eligibility expansions enacted after July 1, 2008 or for certain health programs that already receive enhanced federal matching funds.
- **"Prompt Pay."** As of June 1, 2009, states are not eligible for the enhanced FMAP for days during which they do not meet federal prompt pay requirements. These requirements specify, among other provisions, that state Medicaid programs pay 90 percent of noninstitutional medical claims within 30 days. The ARRA would apply these provisions to nursing homes and hospitals as well.
- **"Rainy Day Funds."** States may not use funds attributable to the increased FMAP as deposits into a rainy day fund or reserve.

Figure 7

State and Local Savings From Increase in Federal Share of Medi-Cal Costs

(In Millions)

	2008-09	2009-10	2010-11	Total
State Departments				
Health care services	\$1,973	\$2,838	\$1,482	\$6,293
Social services (IHSS)	282	389	206	876
Developmental services	234	313	163	710
Other departments	143	200	106	449
Subtotals	(\$2,631)	(\$3,740)	(\$1,957)	(\$8,327)
Other Entities				
Local government	\$305	\$408	\$203	\$916
Public hospitals ^a	293	361	179	833
Subtotals	(\$598)	(\$769)	(\$382)	(\$1,749)
Total Federal Fund Relief	\$3,229	\$4,508	\$2,339	\$10,077

^a Includes University of California hospitals.
IHSS = In-Home Supportive Services.

State Currently Does Not Qualify for Enhanced FMAP. Based on our review of the ARRA provisions affecting Medicaid, California currently does not qualify for the FMAP increase due to a procedural change to Medi-Cal Program eligibility rules the state enacted as part of the *2008-09 Budget*

Act. This change required children to submit a midyear status report to confirm their continuing eligibility for Medi-Cal every six months, along with their parents, who were already required to submit this report. In order to receive the new federal funds, the state would need to reverse this policy prior to July 1, 2009. This reversal would result in additional General Fund costs to the state of \$70 million in 2009-10 (as estimated at the enhanced FMAP rate). Based on our review and our discussions with the state Department of Health Care Services (DHCS), which administers Medi-Cal, the state currently meets all other ARRA requirements.

State Policy Change Needed to Access Increased Federal Funds. The federal government made increased FMAP funding available as of February 25, 2009 for six months of prior expenses. The department indicated in discussions that it will be ready to begin drawing down the additional funds as soon as mid-March. However, DHCS also reported that it must certify to the federal government that California has reversed

its new midyear status report requirement before the state can access these funds. Therefore, we recommend that the Legislature enact legislation as soon as possible to reverse the children's midyear reporting requirement.

Other Medicaid Provisions

In addition to the FMAP enhancement, the federal economic stimulus package includes other funding for state Medicaid programs that we discuss below. We summarize the major provisions in Figure 8. None of these provisions are likely to offset General Fund expenditures in the Medi-Cal Program, but some may increase state costs.

Health Information Technology (HIT). The ARRA provides an estimated \$15 billion nationwide over nine years to pay most of the costs to implement and administer electronic health records for qualifying Medicaid providers, such as children's hospitals and physicians who serve a minimum percentage of Medicaid enrollees in their practice. Only technologies that meet

Figure 8

Other Key Medicaid Provisions in Federal Economic Stimulus Package

Provision	Fiscal Effects	
	Nationwide	California
Health information technology	\$2 billion appropriated for grants, \$15 billion estimated spending for Medicaid incentive payments, and \$22 billion for Medicare incentives.	Unknown.
Disproportionate Share Hospital (DSH) funding	Estimated \$548 million.	Direct increase of \$54 million in federal DSH funds for public hospitals. Also results in increase of \$9 million (General Fund) for other hospitals.
Transitional Medi-Cal expansion	Estimated \$1.3 billion.	Costs of \$59 million (General Fund) if California implements optional expansion.
Delay in various Medicaid regulations	Potential savings.	Potential savings.

certain standards will be eligible for funding, and the state would need to administer a HIT oversight program to ensure that providers receiving federal funds adhere to ARRA's specified criteria.

The ARRA provides an estimated \$22 billion nationwide over nine years for similar incentives in the federal Medicare program, and \$2 billion for a variety of grants and other assistance to promote various health information technologies. The grant and other assistance programs require varying levels of nonfederal funding to draw down this federal assistance—in some cases as little as \$1 of nonfederal funding for every \$10 received from the federal government. These nonfederal shares could be provided by states or potentially by local governments or other entities. The federal grants will be awarded based on a competitive application process, and the details of the distribution are not yet established.

In our recent report, the *2009-10 Budget Analysis Series: Health* (see page HE-15), we discuss how increasing the adoption of HIT among health care providers holds the potential to reduce the costs and increase the quality of health care in California. We recommend that the state seek to identify nonstate sources of funding from private health care organizations or provider organizations in order to participate in the proposed HIT programs to the extent possible. We further recommend that the state Office of Health Information Integrity be directed to take the lead in these efforts.

Disproportionate Share Hospital (DSH) Payment Increase. Under the federal DSH program, the federal government provides a pool of funds each year to supplement Medicaid reimbursements to hospitals that serve a disproportionate number of Medicaid or other low-income patients. The ARRA increases DSH funding by

2.5 percent a year for two years. We estimate this will result in additional federal payments of \$54 million over that period to public hospitals in the state, including hospitals operated by the UC. The nonfederal share needed to access these DSH funds is provided by the public hospitals themselves in the form of costs they incur to deliver services. The federal DSH increase will result in automatic increases in payments to certain other hospitals by an estimated \$9 million in General Fund costs (\$24 million total funds) over the next two years due to current provisions in California law.

Transitional Medi-Cal. Current federal law requires states to provide an additional 12 months of coverage to families enrolled in Medi-Cal who increase employment income beyond a certain level. Under the ARRA, for a two-year period ending December 31, 2010, states could elect to (1) loosen restrictions on retaining this Medi-Cal coverage by automatically enrolling these families in 12 months of coverage and (2) waive the minimum enrollment period now needed to qualify for transitional coverage. We estimate that the state would incur General Fund costs of \$59 million (assuming the enhanced FMAP provided in the ARRA) over two years to automatically provide the additional coverage for the approximately 150,000 current transitional enrollees. The state also would incur unknown costs as a result of waiving the minimum enrollment period requirements, as it is unclear how many enrollees might become eligible to receive the extended period of benefits. Given the state's severe fiscal problems, we would recommend that the Legislature not expand this program.

Delay of Certain Medicaid Regulations. The ARRA extends through June 30, 2009, the current moratoria on certain federal regulations

that could otherwise increase state and local costs for the Medi-Cal Program. For example, one regulation would limit the opportunity for the state to use so-called provider taxes to fund rate increases and achieve General Fund savings. It also imposes a new moratorium through June 30, 2009, on a regulation regarding outpatient hospital facility services. Lastly, ARRA expresses Congress' intent that certain pending federal regulations should not be issued. If these federal regulations were in effect, the state and local agencies and health care providers would face potentially significant adverse fiscal impacts.

Other Health Provisions

In addition to the Medicaid provisions described above, the federal economic stimulus

package includes additional funding for other health-related provisions. We summarize the most significant of these in Figure 9, and discuss them further below.

Grant Money for Public Health Centers. The ARRA provides \$2 billion in grant money nationwide to qualified health centers, including federally qualified health centers. Of the \$2 billion, \$1.5 billion is for construction and renovation of facilities, and the purchase of HIT. The remaining \$500 million is available to support new or existing health center sites or service areas and to provide supplemental payments for spikes in uninsured populations. At the time this report was prepared, the federal government had not established how it would distribute these funds.

Figure 9

Other Major Health-Related Provisions in Federal Economic Stimulus Package

Provision	Fiscal Effects		Available to Offset General Fund Spending?
	Nationwide	California	
Grant money for public health centers	\$2 billion for construction, certain technology, and general purposes.	Unknown.	No
Health workforce funding	\$500 million for health workforce development.	Unknown.	No
Additional federal grants for Early Start program	\$500 million for the federal Individuals with Disabilities Education Act Part C grants.	About \$50 million for the Early Start Program.	Yes
Prevention and Wellness Fund	\$1 billion for various prevention and wellness programs.	\$34 million for vaccinations. Unknown for other programs.	Unknown
Supplemental funding for Women, Infants, and Children	\$500 million for nutrition assistance programs, including \$100 million for information systems.	Unknown.	No
Safe Drinking Water State Revolving Fund	\$2 billion.	\$160 million to the state for drinking water projects that can begin construction before February 17, 2010.	No
Continuing employer-sponsored health coverage (COBRA)	Unknown.	Unknown.	No

COBRA = Consolidated Omnibus Budget Reconciliation Act.

Health Workforce Funding. The ARRA provides \$500 million nationwide to support health care workforce development programs. Included in this amount is \$300 million for the federal National Health Service Corps, which provides medical education scholarships and loan replacement funds as well as grants to medical training programs. The Office of Statewide Health Planning and Development currently administers various health care workforce development programs, including medical education support funded in part through \$1 million annually from the National Health Service Corps. At the time this report was prepared, information was unavailable regarding how these funds will be distributed or how much California might receive.

Additional Federal Grant Funds for Early Start Program. The ARRA provides about \$50 million in grant funding in FFY 2009-10 for the federal IDEA Part C early intervention programs, known in California as the Early Start program. This funding can likely be used to offset General Fund support of Early Start, which is administered by the state Department of Developmental Services. Some IDEA Part C funds support Early Start requirements in other departments including CDE and the Office of Administrative Hearings. At the time this analysis was prepared, it was unclear what process the federal government will follow to distribute these funds.

Prevention and Wellness Fund. The ARRA provides \$1 billion nationwide for prevention and wellness efforts, including: (1) \$50 million to prevent health care-associated infections, (2) \$300 million in grants to state and local health departments to vaccinate certain eligible children and adults, and (3) \$650 million for

clinical and community-based strategies that are proven to reduce chronic disease rates. The state is expected to receive \$34 million of the \$300 million for the vaccination program. A federal spending plan has not yet been announced for the remaining \$700 million. Some funds will likely be distributed through grants, with guidelines for such grants announced by May 2009.

Supplemental Funding for Women, Infants, and Children (WIC). The ARRA provides supplemental funding of \$500 million for the WIC nutrition assistance program, including \$100 million for information systems. Although the state-by-state allocation of these funds has not been announced, it is likely that California will receive a portion of this supplemental funding in order to meet the increasing demand for WIC services in the state.

Safe Drinking Water State Revolving Fund (SDWSRF). The ARRA provides an estimated \$160 million to the state for "shovel-ready" drinking water projects that can begin construction before February 17, 2010. The state Department of Public Health (DPH) has already begun to solicit applicants and proposals for this funding and anticipates posting a list of eligible projects by April 2009. The DPH anticipates that, once the list is posted, it will begin awarding funding to eligible projects on a first-come, first-served basis until all funds are allocated.

Provisions to Continue Employer-Sponsored Health Insurance. The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) allows employees and/or their family members to temporarily extend their coverage in a group health plan when coverage would be lost due to certain events, such as loss of a job. This program can provide coverage up to 36 months. An individual must pay the entire monthly premium.

Under ARRA, persons who lost employer-based health coverage between September 1, 2008 and January 1, 2010 due to job loss would be eligible for a federal subsidy. The subsidy would last for

nine months and would cover 65 percent of the premium, with the individual responsible for the remaining 35 percent. The subsidy would be phased out for higher-income persons.

LABOR AND WORKFORCE DEVELOPMENT

Below, we discuss how ARRA impacts workforce development programs and the unemployment insurance system in California.

Workforce Investment Act (WIA)

The federal WIA provides funding for a range of workforce development activities through statewide and local agencies. The WIA has separate funding streams for youth, adults, and dislocated workers. Pursuant to federal law, 85 percent of the state's total WIA funds (an estimated \$427 million in 2009-10) is allocated to local Workforce Investment Boards (WIBs). The remaining 15 percent (\$64 million in 2009-10) is available for state discretionary purposes such as administration, statewide initiatives, and competitive grants for employment and training programs.

Additional WIA Funds. As shown in Figure 10, ARRA provides additional WIA funds of about \$494 million for California. We estimate that about \$420 million will be allocated to local WIBs to administer local workforce development activities, while an estimated \$74 million will be available for state discretionary purposes. These additional WIA funds would be available for expenditure over the 2009-10 and 2010-11 state fiscal years.

Competitive Grants for WIA Funds. The ARRA also includes the following WIA discretionary grants for state, local WIBs, and other providers and agencies:

- \$200 million available nationally for additional dislocated worker assistance.
- \$50 million available nationally for YouthBuild activities, specifically targeting individuals who have dropped out of high school and re-enrolled in an alternative school.
- \$750 million available nationally for competitive grants for worker training and placement in high growth and emerging industry sectors, including \$500 million targeted for preparing workers for careers in energy efficiency and renewable energy.

Use WIA Funds for General Fund Relief. In the past, the Legislature has used the 15 percent state discretionary funds for new initiatives and to achieve budget solutions by offsetting General Fund costs for employment and training

Figure 10
Additional WIA Funds for California

(In Millions)

Category	Estimated Allocation
Adult	\$81
Youth	188
Dislocated workers	225
Total	\$494

WIA = Workforce Investment Act.

programs in other state departments. Given the state's fiscal situation, we recommend that the Legislature direct all of the additional \$74 million in discretionary funds to offset employment and training program General Fund costs in either the California Department of Corrections and Rehabilitation or the California Conservation Corps.

Other New Employment And Training Funds

Currently, the state receives about \$80 million in Wagner-Peyser Act (WPA) to support employment services to individuals and employers at "one-stop" locations throughout the state. In addition, California receives about \$10 million for Trade Adjustment Assistance (TAA), which targets training services to workers who have lost employment as a result of increased imports.

New Employment and Training Funds. The ARRA provides an additional \$45.5 million in WPA funds to California for state employment services. The ARRA specifies that about \$28 million be used to provide reemployment services for Unemployment Insurance (UI) claimants. We expect these additional WPA funds to be available in FFY 2008-09. The ARRA also provides additional TAA training funds through December 2010. Specifically, we estimate that California will

receive an additional \$17.3 million in FFY 2008-09, \$17.3 million in FFY 2009-10, and \$4.3 million in FFY 2010-11.

Unemployment Insurance

The UI program is a federal-state program that provides weekly UI payments to eligible workers who lose their jobs through no fault of their own. To be eligible for benefits, a claimant must be able to work, be seeking work, and be willing to accept a suitable job. Regular UI benefits can be paid for a maximum of 26 weeks, while federally funded extended benefits may be available to workers who have exhausted regular UI benefits during periods of high unemployment. The regular UI program is financed by unemployment tax contributions paid by employers for each covered worker.

As we discussed in the *2009-10 Budget Analysis Series: General Government* (see page GG-25), the UI fund is currently insolvent. The Governor has introduced a proposal to restore solvency to the UI fund, which remains under consideration by the Legislature. We find that the Governor's plan has merit in that it restores solvency to the UI fund. The Employment Development Department, which administers the UI program, has already obtained a federal loan

to cover projected fund deficits, which means there will be no interruption in benefit payments.

Figure 11 summarizes the major impacts of ARRA on the UI program. As the figure shows, we estimate that California could receive approximately \$5.4 bil-

Figure 11
Unemployment Insurance (UI)—Major Fiscal Impacts

(Through 2011-12, in Millions)

Provision	Amount
Extended UI benefits now available through 2009	\$3,200
Temporary increase of \$25 in weekly benefits through 2009	1,000
Incentive payment if the state implements UI eligibility changes	844
Temporary relief of state interest payments for UI federal loans	314
Additional funds for UI administration	60
Total	\$5,418

lion, with most funds going directly to recipients of unemployment benefits.

Extended and Increased UI Benefits. The ARRA extends the Temporary Emergency Unemployment Compensation (TEUC) program through the end of calendar year 2009. Eligible workers in California can receive up to 33 weeks of extended benefits under TEUC, which had been scheduled to terminate in March 2009. Our preliminary estimates indicate that the extension of TEUC will result in about \$2.2 billion of extended benefit payments for eligible claimants in FFY 2008-09 and about \$1 billion in FFY 2009-10.

The ARRA increases regular and extended benefits by \$25 per week for claims filed by December 31, 2009. The federal government would fund this additional temporary benefit increase. Our preliminary estimates indicate that this temporary benefit increase will result in about \$700 million in additional benefit payments for eligible claimants in FFY 2008-09 and about \$300 million in FFY 2009-10.

Temporary Relief of UI Interest Costs for Federal Loan. As discussed above, states may receive federal loans to cover UI benefit payments when their funds are insolvent. Short-term federal loans are generally interest-free, but longer-term loans must be repaid with interest. While the principal amount of borrowed funds is repaid automatically from the UI fund whenever the fund has a positive balance, any interest charges must be paid with other state funds (usually the General Fund). The ARRA includes temporary relief of these interest payments for states with federal UI loans through December 31, 2010.

Additional Funds for UI Administration. The ARRA includes additional funds for state UI administration. We estimate that California

will receive about \$60 million of these funds in FFY 2008-09. These additional funds can only be used for certain UI administration purposes, including expenses for implementing federal options for UI modernization discussed below.

Our preliminary estimates indicate that ARRA's provision to temporarily waive UI federal loan interest costs will result in General Fund savings of \$30 million, \$209 million, and \$75 million in state fiscal years 2009-10 through 2011-12, respectively. We note that these interest amounts depend on the nature of any corrective action to address the UI fund insolvency and/or the economy.

Incentive Payments Tied to Significant UI Program Changes. The ARRA includes incentive payments for states that choose to "modernize" their UI programs by expanding eligibility. These changes would essentially allow more low-wage, part-time, or other unemployed workers to be eligible for UI benefits. States can receive the first one-third of the incentive payment by adopting an alternative base period (ABP) for individuals who otherwise would not earn enough money to qualify for UI benefits using the existing base period. States can receive the remaining two-thirds of the incentive payment by adopting the ABP, as well as at least two of four provisions related to part-time workers, individuals who separated from their job for compelling family reasons, individuals enrolled in training programs, and dependent allowances. California's estimated share of the incentive payment is about \$844 million.

Potential State Fiscal Impacts. California currently provides part-time worker coverage and extended UI benefits for individuals in training programs, thus meeting two of the four requirements related to the two-thirds portion of the UI incentive payment discussed above. To receive

any of the incentive payment, however, the state would have to adopt legislation implementing the ABP for determining UI eligibility.

Preliminary estimates indicate that the additional payments for individuals qualifying for UI benefits under the ABP would total about \$70 million per year. In addition to the cost of these new benefit payments, implementing the ABP could be a timely and/or labor-intensive process, as it would require changes to the existing UI automated database. These one-time automation costs could be between \$30 million and \$40 million, but the state could use the additional UI administrative grant discussed above to cover these costs.

If the state implements an ABP in accordance with the federal requirements and receives an incentive payment of about \$844 million, there could be several potential state fiscal impacts. It

is our understanding that if a state's UI fund is insolvent, it must use the incentive funds to pay UI benefits. This could result in a reduction in future General Fund costs if the fund continues to be insolvent past December 2010. This is because the incentive funds would reduce the state's UI fund deficit, resulting in interest savings once the interest forgiveness period ends.

Conversely, if the UI fund were solvent, the incentive payment funds may be available for other purposes. These could include paying for administrative or capital expenditure costs (including automation) in the UI program or state employment services. Some of these actions could result in state General Fund savings.

When considering the ABP and the new federal incentive payments, we recommend that the Legislature examine these issues within the broader context of addressing the UI insolvency.

SOCIAL SERVICES

For social services programs and beneficiaries, ARRA provides an estimated \$5.3 billion in federal funding for California from FFY 2008-09 through FFY 2010-11, as shown in Figure 12 (see next page). About \$2.8 billion is in the form of direct payments to individuals—mostly recipients of Supplemental Security Income (SSI), Social Security, and/or food stamps. With respect to state- and county-funded social services programs, ARRA provides about \$2.2 billion in additional funding, much of which can be used to offset General Fund costs. Finally, ARRA provides about \$300 million in additional funds to existing programs which have no state General Fund participation. Below, we describe how ARRA affects various social services programs.

California Work Opportunity and Responsibility to Kids (CalWORKs)

The CalWORKs program provides cash grants and welfare-to-work services to low-income families with children. The CalWORKs program is primarily supported by state General Fund and the federal Temporary Assistance for Needy Families block grant.

Significant New Funding. For FFY 2008-09 and FFY 2009-10, ARRA creates a new federal funding stream which provides 80 percent federal financial participation in costs for ongoing basic assistance (cash grants), non-recurring short-term assistance, and subsidized employment which exceed the corresponding costs during FFY 2006-07. State and county funds cover the remaining 20 percent of these costs. On a

cash flow basis, California will begin to receive these funds in the April to June quarter of 2009. We estimate that this provision will provide California with a total of about \$450 million in

additional federal funds, including a 2.5 percent share for counties.

Automatic General Fund Relief. This new federal stream results in General Fund savings

Figure 12

Social Services—Summary of Impacts in California

(In Millions)

Programs/Provisions	Amount	Description
Payments to Individuals		
One-time retiree payment	\$1,500	A one-time \$250 payment to recipients of Social Security, Railroad Retirement, and certain veterans benefits.
One-time SSI payment	320	A one-time \$250 payment to about one million SSI recipients.
Food stamps benefits	970	A 13.6 percent increase in food stamps benefits.
Subtotal	(\$2,790)	
State Programs With General Fund Costs		
IHSS, ADHC, and MSSP	\$1,356 ^a	FMAP relief of 11.6 percent applies to these programs.
CalWORKs	450	New 80 percent federal financial participation for increased benefit costs since 2007.
Child support enforcement	175	Federal incentive funds eligible for 66 percent federal match.
Adoption Assistance Program	97	FMAP relief of 6.2 percent for state/county costs.
Foster Care	72	FMAP relief of 6.2 percent for state/county costs.
DOR—Vocational Rehabilitation	57	Additional funds to assist disabled individuals obtain and retain employment.
DOR—Independent living services	7	Additional funds for independent living centers and blind services.
Food stamps administration	22	Additional funds for state/county food stamps administration.
CDA—Nutrition	13	Additional funds for home-delivered and congregate meals.
Subtotal	(\$2,249)	
State Programs With No General Fund Costs		
DCSD—Weatherization	\$192	Grants to local agencies to assist low-income individuals with weatherization projects to reduce utility costs.
DCSD—Local block grant	89	Formula grants to localities to assist low-income individuals in becoming self-sufficient.
CDA—Employment	10	Additional funds for senior community service employment programs.
TEFAP	12	Additional funds for commodities distribution.
Subtotal	(\$303)	
Total	\$5,342	

^a These amounts are also reflected in Figure 7, which itemizes FMAP relief.
ADHC = Adult Day Health Care; MSSP = Multipurpose Senior Services Program; FMAP = Federal Medicaid Assistance Percentages;
DOR = Department of Rehabilitation; CDA = California Department of Aging; DCSD = Department of Community Services and Development;
IHSS = In-Home Supportive Services; SSI = Supplemental Security Income; CalWORKs = California Work Opportunity and Responsibility to Kids;
TEFAP = The Emergency Food Assistance Program.

of \$40 million, \$200 million, and \$190 million for state fiscal years 2008-09 through 2010-11, respectively. We note that the *2009-10 Budget Act* scores General Fund savings of \$147 million from a 4 percent grant reduction (which could be triggered off if sufficient federal fiscal relief is identified). Due to this new federal funding stream, the net savings from this grant reduction is only \$29 million during 2009-10.

Food Programs

The federal Food Stamps Program provides monthly benefits to low-income households and individuals to assist them with food purchases. The cost of the benefits is borne entirely by the federal government. The associated administrative costs are shared among the federal government (50 percent), the state (35 percent), and the counties (15 percent). In addition to the federal program, the California Food Assistance Program (CFAP) provides state-only funded food stamp benefits to legal noncitizen adults under age 64 who would otherwise be eligible for federal food stamps once they have resided in the United States for five years.

Food Stamps Benefit and Administrative Funding Increase. The ARRA increases the monthly maximum food stamps benefit by 13.6 percent effective April 1, 2009. (We note that future federal inflationary adjustments to food stamps benefits are suspended until such time as their combined impacts would exceed this 13.6 percent increase.) We estimate that this provision will provide Californians with just under \$1 billion in additional food stamps benefits from FFY 2008-09 through FFY 2010-11. The state also will receive about \$11 million in additional federal funding over the same time period for the administration of the food stamps program.

Increased State Costs for Food Stamps Benefits. Because CFAP benefits are statutorily linked to federal benefit levels, this 13.6 percent increase will raise General Fund CFAP costs by \$1 million, \$3.5 million, and \$2.5 million for state fiscal years 2008-09 through 2010-11 respectively.

State Could Achieve General Fund Savings by Reducing Administrative Support. Due to the availability of additional federal funds, the Legislature could achieve General Fund savings by reducing state and county support for food stamps administration. Specifically, we estimate that this additional funding could allow the state to achieve General Fund savings of \$3.8 million in 2009-10 and \$2.9 million in 2010-11. Counties also could achieve some savings.

Federal Funds Available for Distribution of Commodities. The ARRA increases funding for The Emergency Food Assistance Program by \$150 million. California is estimated to receive about \$6 million in FFY 2008-09 and \$6 million in FFY 2009-10 from this provision. These funds are used for the distribution of food commodities to food banks.

Foster Care and Adoption Assistance Program (AAP)

The Foster Care program provides monthly cash grants to individual and group home providers for the care and supervision of children who have been removed from their homes for health and safety reasons. The AAP provides monthly cash grants to parents who adopt foster children. The federal government pays a share of the costs for eligible Foster Care and AAP cases based on the state's Federal Medicaid Assistance Percentages (FMAP) rate of 50 percent.

General Fund Relief From Temporary Increase in FMAP Rate. As further discussed in the

"Health" section of this report, ARRA temporarily increases the FMAP rate for states by a base amount of 6.2 percent, plus additional increases for high unemployment rates. The ARRA provides the base FMAP increase of 6.2 percent for the Foster Care and AAP programs retroactively to October 2008 and continuing through December 2010. We estimate that this provision will provide California (the state and counties) with \$32.9 million in FFY 2008-09, \$30.9 million in FFY 2009-10, and \$7.7 million in FFY 2010-11 in additional federal funds for the Foster Care program. In addition, we estimate \$41.1 million in FFY 2008-09, \$44.1 million in FFY 2009-10, and \$11.5 million in FFY 2010-11 in additional federal funds for AAP. We estimate that the temporary FMAP increase for Foster Care and AAP will result in combined General Fund savings of \$32.8 million in 2008-09, \$45 million in 2009-10, and \$23.5 million in 2010-11.

The ARRA also potentially allows for a reduction in General Fund expenditures for certain Foster Care children who are designated as seriously emotionally disturbed (SED). Please see the "Education" section of this report for an option to use additional IDEA federal funds in lieu of General Fund to support residential costs for SED children.

In-Home Supportive Services (IHSS)

The IHSS program provides various services to eligible aged, blind, and disabled persons who are unable to remain safely in their homes without such assistance. The IHSS program is funded by a combination of federal, state, and local funds. The IHSS program is eligible for the enhanced FMAP funding described in the "Health" section of this report. As shown in Figure 7, we estimate a General Fund savings in

IHSS of \$282 million in 2008-09, \$389 million in 2009-10, and \$206 million in 2010-11.

Economic Recovery Payments

The ARRA provides a one-time additional \$250 payment to SSI recipients (except those residing in an institution), Social Security recipients, Railroad Retirement recipients, and veterans receiving disability or pension benefits. The total federal funds received as a result of this proposal are estimated to be \$1.8 billion (\$320 million to SSI recipients, \$1.4 billion to Social Security recipients, \$9 million to Railroad Retirement recipients, and \$88 million to veterans). The payments are required to be made within 120 days of the enactment of ARRA.

Child Support

The child support enforcement program helps custodial parents obtain child support from noncustodial parents. The program is supported 66 percent by federal funds and 34 percent by state funds. States compete for federal incentive funds based on the performance of their child support enforcement system. Prior to October 2007, states could count the federal incentive funds towards the states' 34 percent match.

Restores Ability to Receive Federal Match for Incentive Funds. The federal Deficit Reduction Act eliminated the states' ability to use federal incentive funds to draw down a federal match. In order to hold child support enforcement harmless, the Legislature appropriated sufficient General Fund dollars to backfill the lost federal funds. The ARRA temporarily (from October 2008 to September 2010) restores states' ability to use federal incentive funds to draw down federal matching funds. Based on the incentive funds in 2008-09 and 2009-10, we estimate

that this provision could provide California with about \$175 million in additional federal funds. However, the amount of federal funds drawn down as a result of this proposal will depend on the amount of incentive funds California ultimately receives.

Remove General Fund Backfill to Achieve State Relief. Because ARRA temporarily rescinds the federal law prohibiting the use of federal incentive funds to draw down federal matching funds, we recommend the Legislature remove the existing General Fund backfill without reducing total funding for Department of Child Support Services. Based on the amount of General Fund backfill in 2008-09 and 2009-10, we recommend that the Legislature achieve General Fund savings of about \$22 million in 2008-09, \$30 million in 2009-10, and \$7.5 million in 2010-11. The actual level of savings achieved will depend upon the final amount of incentives earned.

California Department of Aging (CDA)

The CDA administers California's Senior Community Employment and Nutrition programs. These programs are provided at the local level through Area Agencies on Aging (AAAs). The Senior Community Employment Program (SCEP) provides part-time, subsidized training and employment for low-income individuals age 55 or older. The Nutrition program provides several services including home delivered and congregate meals to individuals age 60 and older. The SCEP is funded with a combination of federal and local matching funds, while the Nutrition program is funded through a combination of federal funds with state and local matching funds.

Additional Federal Funds for Senior Employment and Nutrition Programs. California is eligible to receive federal ARRA funds of up to \$9.5 million for SCEP and up to \$13 million for the Nutrition program. At this time, it is our understanding that the actual amount of federal dollars California will receive from these provisions will depend on the ability to secure local matching funds to draw down these additional federal funds. Because it is difficult to estimate the amount of matching funds the local AAAs will be able to provide, the actual amount of additional SCEP and Nutrition funds California will receive is unknown at this time.

Potential General Fund Offset. Because the Nutrition program is partially supported by the General Fund, there may be an opportunity to replace some General Fund dollars with the additional federal funds. However, whether these savings could be achieved would depend on the ability to identify the required matching funds.

Department of Community Services And Development (DCSD)

The DCSD administers California's Weatherization and Community Services Block Grant (CSBG) programs. The Weatherization Assistance Program (WAP) reduces the cost of heating and cooling for low-income families by improving the energy efficiency of their homes through attic insulation, heating system repair, and other conservation measures. The CSBG program provides a range of services, such as job training and tax preparation guidance, to assist low-income people in attaining the skills, knowledge, and motivation necessary to achieve self-sufficiency. Both programs are supported by federal funds that are allocated to local community action agencies pursuant to an existing funding formula.

Additional Federal Funds for WAP and CSBG Programs. The ARRA provides increased federal funds of \$192 million for WAP and \$89 million for the CSBG program. In addition to increasing funding for these programs, ARRA makes some program policy changes that may expand program eligibility, increase maximum benefits, and set aside a higher percentage of funds for training and technical assistance. At this time, it is unclear whether state legislation is needed to implement these changes.

Rehabilitation Services

The Department of Rehabilitation (DOR) provides programs and services to assist individuals with disabilities in obtaining and retaining

employment, as well as maximizing their ability to live independently in their communities. The DOR's two major programs are (1) Vocational Rehabilitation (VR), which provides training, education, and other services to prepare disabled individuals for employment; and (2) Independent Living Services (ILS), which assists disabled individuals to live independently. The DOR programs are supported with federal and state funds.

Additional VR and ILS Funds. The ARRA provides an additional \$56.5 million in VR funds and about \$7 million in ILS funds. The ARRA targets about half of the ILS funds to independent living centers, while the remaining half of ILS funds are to be used for services for older blind individuals.

TRANSPORTATION

Figure 13 shows the amount of funding provided by ARRA for transportation programs. As shown in the figure, California will receive about \$3.6 billion in additional federal funds from formula-based highway and transit programs. None of these additional funds will offset General Fund expenditures. In addition, the state, local governments, and transit agencies can apply for additional funding that will be provided on a discretionary basis.

Major Provisions

Highway Funds. California is expected to receive about \$2.6 billion in federal economic stimulus funds for highway and road projects. Of this amount, ARRA allows 67 percent of the funds (about \$1.7 billion) to be used by the state Department of Transportation (Caltrans) for state transportation programs and projects. The federal act requires that 30 percent (about

\$770 million) be allocated to regional transportation agencies for projects selected by them. The other 3 percent of funds (about \$77 million) must be used for transportation enhancement projects, such as bicycle and pedestrian paths and landscaping. In addition, the federal act requires the timely use of funds through a series of "use it or lose it" deadlines. These timelines for the use of funds are as follows:

- At least one-half of the Caltrans' share of the funds must be obligated within 120 days. (Funds are obligated for a transportation project when a project is fully designed and is ready to advertise for construction.) This requirement means that the state must obligate about \$900 million of the highway and road funds by July 2009. If Caltrans fails to meet this requirement, one-half of the

funds will be taken back and redistributed to other states that have been able to meet this deadline.

- All of the funding for highways and roads must be obligated within one year (by March 2010). Any funds that have not been obligated by this deadline will be taken back and redistributed to states that have been able to meet this deadline.
- Funding that is provided to the states through the redistribution of funds after March 2010 must be obligated by September 20, 2010. After this deadline, ARRA funds for highways and roads will no longer be available.

Transit Funding Distributed Directly to Regions. Of the \$7.55 billion available nationwide, California's share of the formula-based transit funds is just over \$1 billion. This includes \$968 million for larger metropolitan areas for bus, rail and related capital assistance, and \$66 million for light and commuter rail systems. This funding will be provided directly to the regions and local operators, which means the state is not involved in the distribution or accountability of these funds. Another \$34 million is provided for the nonurbanized areas in the state. This funding is administered by Caltrans.

Similar to highway funds, the federal act

requires the timely use of these transit funds through a series of deadlines:

- At least 50 percent of these formula-based funds must be obligated within 180 days. This means that each local agency must obligate one-half of its funds by no later than early September 2009. The federal government will withdraw one-half of the funds originally apportioned from any recipient that fails to meet this requirement and redistribute the money to other states or agencies that have been able to meet this deadline.
- All of the funding must be obligated within one year (by March 2010). The federal government will withdraw any funds that have not been obligated by this deadline and redistribute the money to states or agencies that have missed both deadlines.

The State Could Additionally Benefit From Discretionary Programs. Beyond the formula-

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.

based funds, other competitive grant programs could provide additional benefits to California.

- First, the California High-Speed Rail Authority could receive a substantial amount of capital funding, as ARRA provides \$8 billion to support the development of intercity high-speed rail service nationwide. This money will be allocated through a competitive process based on the U.S. Transportation Secretary's strategic plan, which will be developed no later than April 18, 2009.
- Second, \$1.5 billion is available nationwide to be awarded on a competitive basis for projects that will have a significant impact on the nation, a metropolitan area, or a region. States, local governments, and transit agencies are all eligible to apply for this funding; however, no state can receive more than \$300 million. Caltrans has indicated that it will work with local governments or transit agencies to guarantee that the state maximizes the amount of funding it receives from this program.
- Finally, there are other discretionary grant programs that could benefit the state. These include \$1.3 billion in discretionary grants for airport facilities and equipment and \$850 million for transit projects. The federal government may also spend a portion of the \$1.3 billion in California for Amtrak to make track, equipment, and security improvements.

Maintenance of Effort and Reporting

Requirements. The federal act requires the Governor to certify by mid-March that California will

maintain its efforts with regard to state funding for the types of transportation projects that use federal economic stimulus dollars. If that level of state funding is not maintained, California would not be eligible to receive any federal highway funds that are redistributed in August 2011. In addition, ARRA requires a number of periodic reports on the use of federal economic stimulus funds for transportation.

Issues for Legislative Consideration

State Law Sets Process to Allocate Federal Funds. Current state law sets up a process to allocate federal funds available to the state for highway purposes. Specifically, the California Transportation Commission (CTC), working with Caltrans, determines the amount of funding to set aside for highway rehabilitation and repair projects in the State Highway Operation and Protection Program (SHOPP), and the remaining amount that would be made available to regions and Caltrans for highway expansion projects in the State Transportation Improvement Program. Current state law also specifies that highway rehabilitation and safety improvements (that is, SHOPP projects) have priority over highway expansion projects. As of February 2009, Caltrans indicated that it has about \$1.5 billion in SHOPP projects that could begin construction within 180 days. This means that the state could comply with the federal deadlines for these ARRA funds. Thus, under current law, nearly all of the state's federal economic stimulus highway funds (\$1.7 billion) could be made available for SHOPP projects. At the time this analysis was prepared, CTC had not yet decided on the amount to use for SHOPP. However, it has set a minimum target (or floor) to provide at least \$500 million for these projects.

Administration Proposes Different Allocation of Funds. Instead of allocating the federal stimulus funds using the process set up by current law, the administration is proposing legislation to allocate the \$2.6 billion in total state and local ARRA funds in a different manner. Under the administration's proposal, about \$1.6 billion (or 62.5 percent) of the highway funds would go to the regions to be used at their discretion, and \$964 million would be provided to the state for SHOPP and other state projects. Thus, the proposal would result in less funding being available for SHOPP projects compared to the amount that would be available under current law. In fact, Caltrans indicates that it would likely use about half of the \$964 million (about \$500 million) for SHOPP projects and the other half for Proposition 1B projects.

Use Federal Funds to Maximize Highway Rehabilitation. As we have noted in past analyses, the limited availability of funding for highway maintenance and rehabilitation means that there is a significant volume of highway rehabilitation work that cannot move forward on a timely basis. (See, for example, the *Analysis of the 2008-09 Budget Bill*, page A-30.) While Proposition 1B, passed by voters in 2006, provided a one-time infusion of \$500 million for SHOPP projects, this has only made a relatively small reduction in the overall backlog of highway repair work.

In our December 2008 report, *Advancing Transportation Projects to Stimulate the Economy: An Alternative Approach*, we found that advancing highway repair projects would have a number of benefits to the state. This approach could:

- **Maximize Savings From Competitive Construction Prices.** Caltrans is currently awarding construction contracts

for an average of 20 percent less than the estimated cost of the project. While this competitive environment would likely result in lower construction prices for any projects funded with federal stimulus money, small- and mid-sized projects in particular are likely better able to capture cost savings because they typically receive more bids than larger projects.

- **Avoid the Cost of More Expensive Future Repairs.** Making needed highway repairs now would result in cost savings by avoiding higher future costs that would occur if repairs were delayed.
- **Benefit All Regions.** Because SHOPP projects are located throughout the state, funding these projects would provide transportation benefits and construction-sector jobs in every region of the state. In addition, ARRA requires the state to give funding priority to projects located in "economically distressed" areas as defined in federal law. Funding SHOPP projects throughout the state would help the state meet this requirement.

In light of the benefits and the backlog of needed repair work, we recommend that the Legislature direct Caltrans and CTC to use \$1.5 billion (out of the \$1.7 billion the state would receive under current law) for SHOPP projects that are ready for construction. Furthermore, given the short deadlines on the use of the federal funds, we recommend that the Legislature provide this direction to CTC expeditiously. (The Legislature can do so through various means, including the adoption of legislation.) If the Legislature were to adopt the administration's proposal

to change the way these funds are allocated, we recommend that the Legislature direct CTC to dedicate the state's entire share of funding (about \$964 million) for SHOPP projects.

Federal Funds Could Provide Cash Flow for Proposition 1B Bond Projects. While we recommend using the federal stimulus funds ultimately for SHOPP projects, these same funds could be used to provide interim financing for some Proposition 1B bond projects. The state has a number of projects that have been scheduled to go to construction by mid-2009 using Proposition 1B bond money. However, due to the state's recent inability to issue bonds, many of these projects are delayed. In order to prevent further delays to high-priority Proposition 1B projects, we recommend that the Legislature consider using ARRA funds to provide cash-flow loans for Proposition 1B projects. This would be similar to the state's current process of providing short-term loans for bond projects from the Pooled Money Investment Account. Once the state is able to issue Proposition 1B bonds, these funds would then be available for SHOPP projects. This approach would allow the state to meet its commitment to high-priority Proposition 1B projects, while providing substantial funding for needed

highway repairs (although at a later time than if the federal funds were used immediately for SHOPP projects).

Input Into High-Speed Rail Strategic Plan Could Increase State's Share of Funding. Before the \$8 billion in federal stimulus money would be available for any high-speed rail systems, the U.S. Secretary of Transportation must submit to Congress by April 18 a strategic plan with guidelines for the allocation of funds. California could potentially increase its share of the high-speed rail funding by providing input to that strategic plan. There are two specific advantages that the state may have over other proposed high-speed rail systems in the country. First, the state's system calls for a train that can reach sustained speeds of over 200 miles per hour, a faster speed than many systems proposed in other states. Therefore, California would benefit from a plan that gives preference to higher-speed trains. Second, with the passage of Proposition 1A in 2008, the state has substantial state funding to match the federal funds that other proposed systems may not be able to provide. The state could receive more of the federal set-aside for high-speed rail development if the ability to match funds is given preference in the strategic plan.

HOUSING PROGRAMS

The ARRA provides approximately \$13.5 billion nationwide for various housing-related programs, including funds for affordable housing development, homelessness prevention, rental assistance, and emergency assistance for the redevelopment of abandoned and foreclosed homes. Of this amount, about \$10 billion will be allocated to state and local housing agencies based on funding formulas used to make the

2008 grant awards. The remaining \$3.5 billion will be competitively awarded.

Major Provisions

California to Get Between \$1.1 Billion and \$1.3 Billion for Housing Programs. Preliminary estimates of California's share of the housing monies range from about \$1.1 billion to \$1.3 billion. (The actual amount will largely depend on how well California's state and local govern-

ments, and nonprofit entities fare in receiving competitive grants.) Of that amount, California state housing agencies—namely the Department of Housing and Community Development (HCD) and the Tax Credit Allocation Committee (TCAC)—are expected to receive about \$400 million in formula-based grants, as well as some unknown amount in competitive grants. Some, if not all, of this funding could be allocated to the state during the current state fiscal year. However, given the timing, it is not likely that the state would begin making awards for housing and community development projects until 2009-10. In general, these funds will not provide any state General Fund relief, since the affected housing programs are supported almost entirely by federal funds. (The relatively small amount of General Fund spending is needed to meet federal match requirements.)

Housing Money Must Be Spent Rapidly. The ARRA places an emphasis on rapid distribution of the housing stimulus funds. For example, in the case of the Community Development Block Grant program, the act requires state and local recipients to give priority to projects that are ready to go (“shovel ready”) within 120 days from the date funds are made available to the recipient. Depending on the program, grant recipient agencies are required to spend between 50 percent and 75 percent of the funds within two years, and all of the funds within three years. Failure to meet these time frames could result in reallocation of the funds to other states or local governments.

Issues for Legislative Consideration

Providing Funds to Existing Programs Minimizes Implementation Issues. The act does not create new affordable housing programs. This

should help to accelerate the process of getting the funds to providers. Based on our initial review, it does not appear as though state legislation would be required to draw down the federal funds. Under the act, most of the housing money is to be allocated based on existing funding formulas. It is likely that only minimal administrative actions will be required to obtain formula-based grants. At the time this analysis was prepared, the U.S. Department of Housing and Urban Development (HUD) was still developing some of the details regarding the use of these monies. The state, however, would need to apply to HUD to receive any of the competitive grants available under the federal Neighborhood Stabilization Program. This program, with total national funding of \$2 billion, provides grants for emergency assistance to redevelop abandoned and foreclosed homes.

Tax Credit Allocation Agency May Not Be Best Suited to Administer Loans. The federal Low-Income Housing Tax Credit Program offers tax credits to investors as a means to attract private capital into new construction, acquisition, and rehabilitation of affordable rental housing. In California, TCAC administers the program. Because of the downturn in the housing market and the overall economy, the value of tax credits to investors has declined, making it difficult for affordable housing project sponsors to raise the capital required to finance housing projects.

In recognition of this problem, ARRA provides one-time, formula-based grants to state housing tax credit agencies to make up for the lost value of the tax credits. California is estimated to receive about \$325 million. Under the act, the tax credit agencies will use the grant funding to make loans (on a competitive basis) to affordable housing projects previously and newly ap-

proved to receive tax credits. In addition to these formula-based grants, the act also authorizes a state housing tax credit agency to exchange up to 40 percent of its 2009 federal tax credit allocation for a cash grant. This would provide up to an additional approximately \$300 million for loans to affordable housing projects.

The TCAC historically has not administered loan programs. Traditionally, HCD and the California Housing Finance Agency (CalHFA) have administered such programs. It is unlikely that TCAC has sufficient staff and internal program expertise to administer the funds and comply with related federal requirements, particularly given the short time frames for allocation of

the funds. Moreover, since the funds are being provided on a one-time basis, we do not think it would be prudent to establish within TCAC the resources to administer the program. For this reason, we think it would be more efficient and effective to have the grant program administered by either HCD or CalHFA. Both of these agencies have experience making competitive project awards, and more staff resources and expertise than TCAC to handle the anticipated high volume of applications. Accordingly, we recommend that the Legislature direct TCAC to contract with either HCD or CalHFA for administration of the tax credit supplement funds.

RESOURCES AND ENVIRONMENTAL PROTECTION

The ARRA includes several resources and environmental protection-related provisions that will have a fiscal impact on California. All of these additional federal funds supplement spending on resources and environmental protection-related programs and do not benefit the state's General Fund. We will discuss these provisions in the following four broad categories.

- Funds that flow directly to the state.
- Competitive or discretionary grants.
- Funds that will be spent directly by federal agencies on federal projects and programs in the state or administered directly by federal agencies to individual grantees in the state.
- Industry-specific tax credits and other financial incentives.

Figure 14 summarizes the federal funding provided in ARRA in the resources and environ-

mental protection areas under each of these four categories.

Funds Flowing to the State by Formula

Clean Water State Revolving Fund (SRF)—State Water Resources Control Board (SWRCB). The ARRA includes about \$283 million provided directly to the state in grant and loan funding (including for loan forgiveness and “negative-interest rate” loans) for wastewater infrastructure, through the existing Clean Water SRF. (Negative-interest rate loans have a zero interest rate and some degree of forgiveness of the loan principal, effectively making the interest rate negative.) The funds will all be made available in FFY 2008-09. The SWRCB administers the program on behalf of the state in cooperation with the U.S. Environmental Protection Agency (U.S. EPA).

The ARRA changes the state's existing program in two ways. First, the current state matching fund requirement is waived as a condition of

receiving the federal economic stimulus monies. Second, the federal authorization expressly

includes three forms of financial assistance—grants, loan forgiveness, and negative-interest

Figure 14
Stimulus Funding for California Resources and Environmental Protection Programs

(In Millions)

Program	Funding	Description
Funding Flowing Directly to State, by Formula		
Clean Water State Revolving Fund	\$283	Existing program, largely for wastewater treatment upgrades.
State Energy Programs	239	Focus on energy efficiency and renewable energy programs.
Energy Efficiency and Conservation	56 ^a	Block grants to be used to reduce total energy usage, improve overall energy efficiency, and reduce fossil fuel emissions.
Subtotal	(\$578)	
Competitive or Discretionary Grants		
Leaking Underground Storage Tank	\$17	Financial assistance for cleanup of leaking tanks.
Diesel Emission Reduction	2 ^b	On- and off-road diesel emission projects; \$210 million nationwide.
Wildland fire management	— ^b	Hazardous fuels reduction, forest health, and ecosystem improvements on state and private lands; \$250 million allocated nationally.
Brownfields remediation	— ^b	\$100 million nationwide.
Defense environmental cleanup	— ^b	\$5.1 billion nationwide for environmental cleanup at former military installations.
Wireless and broadband access	— ^b	\$4.4 billion nationwide for broadband deployment in unserved and underserved areas.
Subtotal	(\$19)	
Funding Spent Directly by Federal Agencies^c		
Smart (Electricity) Grid	— ^b	\$4.5 million nationwide in competitive grants for electricity transmission infrastructure modernization.
Non-defense environmental cleanup	— ^b	\$438 million to Department of Energy for environmental cleanup at non-defense federal sites nationwide.
Army Corps—Flood control	— ^b	\$4.6 billion for construction and operations of various civil works projects nationwide (such projects are mainly for flood control in California).
Department of Interior—Water programs	— ^b	\$1 billion for federal water-related programs nationwide, which potentially includes federal Central Valley and Colorado River Projects in California.
Hazardous Substance Superfund	— ^b	\$600 million for cleanup at abandoned hazardous waste sites nationwide under the federal Superfund program.
Federal land and resource management	— ^b	At least \$1.7 billion for federal land and resource management activities nationwide.
Subtotal	(—)	
Tax/Financial Incentives in Energy Area		
Various tax incentives	— ^b	For energy efficiency and renewable energy, including personal income tax, investment, and production tax credits.
Renewable energy tax credit bonds and loan guarantees	— ^b	
Subtotal	(—)	
Total Funding	\$597	

^a In addition, the state is potentially eligible for an unknown portion of \$400 million of competitive grants to be allocated nationwide.

^b Total benefit to California unknown at this time.

^c Includes funding administered directly by federal agencies to individual grantees.

rate loans—that are expressly prohibited under state law for the Clean Water SRF program. We recommend urgency legislation to authorize the board to include these categories of financial assistance under the state’s program so as to maximize the federal funding allocated to the state.

State Energy Programs—Energy Commission. The ARRA includes \$3.1 billion for State Energy Programs under the existing Energy Policy and Conservation Act, of which \$239 million will come to California. The ARRA directs states to focus on funding energy efficiency programs (such as energy efficient retrofits of buildings and industrial facilities) and renewable energy programs, and in particular to expand those programs already approved by the state. States are also directed to prioritize joint projects between states. All funds must be obligated by September 30, 2010.

To access these funds, the Governor must provide various assurances to the U.S. Secretary of Energy. These include assurances that (1) the use of the funds will be prioritized to the two program areas referenced above, (2) the state will adopt a policy that ensures that utilities’ financial incentives are aligned with helping their customers use energy more efficiently, and (3) the state will have a plan for exceeding the international energy code for residential buildings within eight years of enactment of the ARRA.

Energy Efficiency and Conservation Block Grants—Energy Commission. The ARRA includes \$2.8 billion for Energy Efficiency and Conservation Block Grants (EECBG), of which \$784 million is to be allocated nationwide directly to the states. (The majority of the remainder will be allocated to local jurisdictions, with a small amount for tribes and other entities.) Of the allocation to the states, California will receive a

total of \$56 million, with \$22 million available for state use and \$34 million to be passed through to small cities. An additional \$400 million is available nationally in the form of competitive grants, although there is currently no information available on how these grants are to be awarded.

The purpose of the EECBG program is for the grant recipients to reduce total energy usage, improve overall energy efficiency, and reduce fossil fuel emissions. The EECBG is a program that, while authorized in the Energy Independence and Security Act of 2007, has not been funded prior to the ARRA. Statutory changes will be required in order for the Energy Commission to be able to spend the funds within the schedule that the federal government has set. The funds have to be obligated by September 30, 2010.

Competitive or Discretionary Grants

Leaking Underground Storage Tank Fund Program. The ARRA appropriates \$200 million nationally to the U.S. EPA for the Leaking Underground Storage Tank Fund Program. The state is expected to receive between \$15 million and \$17 million in the first year of funding and may be eligible to receive an additional \$5 million in the second year should other states be unable to fully utilize their grants. It is likely that the state will require minor legislative changes to allow federal funds to be deposited specifically into the Underground Storage Tank Petroleum Contamination Orphan Site Cleanup Fund in addition to other funds annually made available in the state budget. The state matching requirements for this program are waived for the ARRA funds.

Diesel Emission Reduction. The ARRA appropriates \$300 million to U.S. EPA for grants and loans awarded nationally for on- and off-road diesel emission reduction projects, includ-

ing for diesel engine retrofit and replacement. Of this total, \$90 million is allocated directly to states (of which the Air Resources Board [ARB] expects the state to receive at least \$1.8 million). The remaining balance—\$210 million—is to be awarded directly by U.S. EPA as competitive grants. As U.S. EPA's grant guidelines have yet to be developed, it is not known what amount of grant funds that the state could potentially access directly. Therefore, it is unknown whether the state could use these funds, for example, to offset state agency costs (proposed by the Governor to be funded from the General Fund and special funds) to comply with ARB's recently enacted diesel regulations. We think that this latter opportunity should be considered once the federal grant guidelines have been finalized.

Wildland Fire Management. The ARRA appropriates \$250 million to the U.S. Forest Service for state and private forestry activities, including hazardous fuels reduction, forest health, and ecosystem improvement activities on state and private lands. While the U.S. Forest Service has yet to determine how this funding will be delivered to the state, it is likely that a significant portion of the funding coming to the state would be administered by the California Department of Forestry and Fire Protection. The department has already submitted a \$176 million list of potential projects to the U.S. Forest Service. The ARRA prohibits a state from having a cost-share requirement if funds are passed through to other entities. Since state law currently has such a requirement, a statutory change would be needed to allow such pass-throughs.

Brownfields Remediation. The ARRA appropriates \$100 million nationally for projects to be awarded by competitive grants under the Comprehensive Environmental Response, Com-

pensation, and Liability Act. There is no cost-share requirement in order to receive the money. While there is no allocation specific to California, projects in California may be eligible for grant funds. The Department of Toxic Substances Control (DTSC) would be the state's applicant agency.

Department of Defense Environmental Cleanup. The ARRA appropriates \$5.1 billion to the Department of Defense for environmental cleanup activities. There are several former military installations in California that could be eligible for these funds. The DTSC administers the cleanup of some of these sites with federal reimbursement through the state budget.

Wireless and Broadband Access. The ARRA appropriates \$4.4 billion to the National Telecommunications and Information Administration (under the Department of Commerce) for competitive grants awarded nationally to increase the deployment of broadband services in "unserved and underserved areas." While there is a 20 percent state matching requirement (which can be waived), the ARRA gives priority to states with a source of matching funds. California has recently enacted legislation that could provide a source for these matching funds—Chapter 393, Statutes of 2008 (SB 1193, Padilla). Chapter 393 created the ratepayer-supported California Advanced Services Fund under the California Public Utilities Commission (CPUC) to help promote the deployment of broadband infrastructure in unserved and underserved areas. As the amount of the allocation of the ARRA competitive grants to California is unknown, is it uncertain whether the current level of revenues supporting the California Advanced Services Fund would allow the state to leverage the maximum amount of federal funding potentially allocated to the state.

In order to access these grant funds, the ARRA requires that there be a single centralized entity from within a state that applies for all of the grant funds on behalf of all eligible grant recipients in a state (which would include, for example, cable providers, wireless carriers, and community-based organizations). The ARRA does not specify who the state representative should be, nor does it require that this entity be a state agency. Since the Legislature has made broadband access a funding priority, we recommend that the Legislature enact legislation designating the CPUC as the state entity to access these funds. This would improve the Legislature's oversight of the state's access to and use of these funds to ensure that the state is maximizing funding for which it is eligible and that the expenditure of the funds is consistent with legislative priorities.

In addition to the new broadband deployment grant program discussed here, the ARRA also provides \$2.5 billion to the Rural Utilities Service under the U.S. Department of Agriculture for an existing program awarding competitive loans, grants, and loan guarantees for broadband infrastructure projects that primarily serve rural areas. It is expected that these funds would flow directly to the rural telecommunications carriers.

Funds Spent Directly by Federal Agencies

Department of Energy (DOE)—Smart (Electricity) Grid Investment Program. The ARRA appropriates \$4.5 billion to DOE for the Smart Grid Investment Program. This funding—likely to be administered by a competitive grant process—is for electricity transmission infrastructure investments that make the transmission grid “smarter” by improving the flow of information from both

the energy generator and the energy user so that better choices can be made about how energy is produced, delivered, and consumed. In particular, these investments are seen as necessary to move renewable energy resources onto the grid cost-effectively. What portion of this funding the state might be eligible for is uncertain. The CPUC assumes that the funding would not flow through the state, but would flow directly to the applicants—entities making capital investments for some part of the electric transmission grid, such as utilities that own transmission and/or distribution systems.

DOE—Non-Defense Environmental Cleanup. The ARRA appropriates \$438 million to DOE for environmental cleanup of nonmilitary sites. Previous appropriations for this fund have been used for the cleanup of civilian energy research sites. The allocation of these funds has yet to be determined.

Army Corps of Engineers—Flood Control. The ARRA appropriates \$4.6 billion to the Army Corps of Engineers for investigations, construction, and operations and maintenance of various civil works projects (which, in California, are mostly for flood control). While there are no direct appropriations to the state, the Corps is a partner with the state on federally authorized flood control projects for which costs are shared among federal, state, and local governments. These include projects in the State Plan of Flood Control, modifications to Folsom Dam, and other projects in Central and Southern California. In some cases, the state Department of Water Resources (DWR) has “fronted” the federal share of funding, mainly through bonds (Proposition 1E), in order to expedite the projects. These latter cost-sharing agreements were made with the expectation that when federal funds became

available, the federal government would in some way compensate the state for the funds it fronted, such as by providing matching funds for ongoing flood control projects. We recommend that the Legislature and DWR urge the federal government to provide such compensation to the state.

U.S. Department of the Interior—Water Programs. The ARRA allocates about \$1 billion to water-related programs under the Department of the Interior, which includes the Bureau of Reclamation. Included in this amount is up to \$50 million that may be transferred for programs and activities under the California Bay-Delta Restoration Act. Additional funding is appropriated for canal inspections, development of rural water treatment facilities, water reclamation and reuse projects, and for other construction and maintenance projects. Traditionally, a majority of funding for the Bureau of Reclamation, which only operates in western states, has been allocated to California-related projects, including the federal Central Valley Project and the Colorado River Project.

U.S. EPA—Hazardous Substance Superfund Program. The ARRA appropriates \$600 million for the federal Superfund program administered by U.S. EPA that cleans up abandoned hazardous waste sites. There are a number of existing federal Superfund sites in California receiving funding for cleanup from the federal Superfund. Additional funds may therefore come to California for the cleanup of these sites.

Miscellaneous Funding for Federal Land and Resource Management. In addition to the above, the ARRA includes funding for the land and resource management activities of a number of federal resources agencies, potentially for activities in the state. This funding, to be spent nationally, includes \$320 million for construction and

land management activities on Bureau of Land Management lands, \$280 million for construction and resource management activities of the U.S. Fish and Wildlife Service, \$750 million for construction and deferred maintenance activities in the National Park Service, and \$900 million to the U.S. Forest Service for capital improvements and maintenance projects (\$650 million) and for wildland fire management on federal forest lands (\$250 million).

Energy-Related Tax and Financial Incentives

The ARRA extends and expands the scope of a number of energy efficiency and renewable energy tax incentives. For example, the personal income tax provisions extend a tax credit for energy efficiency upgrades to existing homes to 2009 and 2010, also increasing the cap on these incentives from \$500 to \$1,500. The bulk of the tax incentives pertain to the development of renewable energy. For example, project developers of a broader group of renewable energy sources are now eligible for the 30 percent federal investment tax credit. The production tax credit for renewable energy facilities has been extended to the end of 2012 or 2013, depending on the type of facility. Renewable energy facilities may also now apply to the Department of the Treasury for grant funding in lieu of the investment/production tax credits.

The ARRA also includes provisions providing renewable energy-related loan guarantees and tax credit bonds. Specifically, the ARRA provides \$6 billion nationwide for a loan guarantee program to be administered by DOE for renewable energy power generation and transmission projects. The ARRA also authorizes an additional \$1.6 billion nationwide of new clean renewable

energy tax credit bonds, up to one-third of which is to be made available for qualifying projects of state, local, and tribal governments. Finally, the ARRA authorizes an additional \$2.4 billion nationwide of qualified energy conservation tax

credit bonds to finance state, local, and tribal programs designed to reduce greenhouse gas emissions. Legislation may be required to facilitate the state's issuance of these bonds.

CRIMINAL JUSTICE AND OTHER PROGRAMS

The federal economic stimulus package also provides additional funds for a variety of criminal justice programs and other programs run by the state. Below, we describe the likely increases in federal funds to the state from ARRA. These increases in federal funds generally would not result in an offset of General Fund expenditures.

Additional Funding for Public Safety Grants.

Under the Edward Byrne Memorial Justice Assistance grant, Violence Against Women Act, and Victims of Crime Act, the federal government provides grant funds to help support local public safety programs. In California, these grant funds are administered by the California Emergency Management Agency, which receives the funds from the federal government and distributes them to eligible sub-grantees. The federal economic stimulus package includes a one-time increase of about \$250 million nationwide in federal funds for these three programs. As part of the conditions for acceptance of federal funds, the state must agree not to supplant existing state funding with any federal funds.

Increased Funding for Crime Victims Compensation. Under the Victims of Crime Act, the federal government provides grant funds to help support state victim compensation and assistance programs. In California, these funds partially support the Victim Compensation Program (VCP), which is operated by the Victim Compensation and Government Claims Board and helps pay for certain unreimbursed expenses incurred by

victims of crime and their families. (The state's Restitution Fund—fines and penalties collected from criminal offenders—is the primary source of funding for the program.) The federal economic stimulus package includes a one-time increase of about \$8 million in federal funds for VCP in California.

Competitive Grants Provide Funds to Hire Additional Sworn Officers. Currently, the federal Community-Oriented Policing Services (COPS) office distributes funding through a wide range of programs to assist law enforcement agencies. In the past, many local law enforcement agencies, as well as some state-level agencies, in California have received federal grants from various COPS programs. The federal economic stimulus package includes \$1 billion for a new COPS Hiring Recovery Program (CHRP) to provide competitive grants for law enforcement agencies to hire additional full-time sworn officers. The CHRP grants are intended to support the full cost of additional officers for three years, based upon approved entry-level salaries and benefits. Although there is no funding match requirement, grant recipients must retain all of the additional positions awarded under the grant with state or local funds after the three-year period. Grant applications are scheduled to be available at the end of March. The Legislature should direct the various state-level law enforcement agencies (such as the California Highway Patrol) to report at budget hearings regarding their intention to

apply for CHRP grant funding and the longer-run fiscal impact on the state once federal funding expires.

Potential Additional Patrols at Southern California Border. The federal economic stimulus package provides \$30 million nationally to local law enforcement for patrolling the United States-Mexico border. This new program targets southwest border states and designated high-intensity drug trafficking areas. An additional \$10 million is available to support efforts to stem firearms trafficking through Project Gunrunner—a cooperative program between the United States and Mexico. California may benefit from a portion of these funds.

California National Guard to Receive Funding for Building Construction and Renovation. A total of \$26.5 million is expected to be provided to the California National Guard for various de-

ferred maintenance construction and renovation projects. While the list of eligible projects is still being developed by the federal government, it is possible that some of the federal funds provided to the California National Guard may help the state avoid future General Fund costs for the same purposes.

Transit and Port Security Projects to Receive Federal Grants. The ARRA makes available nationally \$150 million for public transportation and railroad security assistance and \$150 million for port security grants. The stated preference is for projects that can be started and completed quickly. It is unclear what amount, if any, the state would receive because the grants are competitive. Moreover, it is uncertain what the state's need would be for these funds given recent expenditures of Proposition 1B bond funds for security projects.

TAX CHANGES IN THE FEDERAL ECONOMIC STIMULUS PACKAGE

The ARRA contains a variety of tax provisions that are designed to provide a boost to the economy. Nationally, the act provides \$287 billion in federal tax relief, mainly over the next three years. We estimate that Californians would receive between \$30 billion and \$35 billion of this relief. Figure 15 (see next page) displays the major elements of the tax package and their estimated cost over the next ten years. Two provisions—the “making work pay” credit and alternative minimum tax provision—comprise two-thirds of the total relief provided. Figure 15 also shows that the federal economic stimulus legislation contains \$53 billion nationwide in other types of tax provisions that affect a variety of program areas. For instance, it includes

\$18 billion in tax subsidies for a variety of fiscal incentives to encourage “green” energy production and conservation. Some of the tax provisions listed in Figure 15 are discussed in their respective program areas earlier in this report.

Major Personal Income Tax Changes

Below, we review selected personal income tax changes that are part of the stimulus legislation. Estimates are available on the national impact of the personal income tax provisions from the federal Joint Committee on Taxation (JCT). In some cases, additional data on state-level effects of existing provisions that are modified by the stimulus bill are available. As a result, we can make rough estimates of the amount of the fed-

eral benefits that would be coming to California from several of these provisions.

New Making Work Pay Tax Credit. This new tax credit is equal to 6.2 percent of earned

Figure 15

Tax Relief Provisions Included in the 2009 Federal Stimulus Legislation

(In Billions)

Provision	Description	National Total ^a
Personal Income Tax		
"Making work pay" credit	Creates a new credit of up to \$800 in 2009 and 2010 based on annual income.	\$116.2
Alternative minimum tax (AMT) threshold	Raises income levels subject to the AMT in 2009.	69.8
Child tax credit	Reduces the annual wage threshold for eligibility in 2009 and 2010 from \$12,600 to \$3,000.	14.8
Education tax credit	Expands the existing "Hope" credit for higher education costs in 2009 and 2010.	13.9
New homeowner tax credit	Converts an existing incentive into a refundable credit for first-time homebuyers who purchase a home in 2009.	6.6
Taxation of unemployment benefits	Exempts up to \$2,400 in benefits received in 2009.	4.7
Earned income tax credit	Increases benefits and raises the income threshold for eligibility in 2009 and 2010.	4.7
Energy improvement tax credit	Increases tax benefits in 2009 and 2010 from increasing the energy efficiency of existing homes.	2.0
Automobile sale tax deduction	Creates a new deduction of sales taxes paid on the purchase of a new car over the next 12 months.	1.7
Subtotal, Personal Income Tax		(\$234.4)
Other Tax Provisions		
Renewable energy incentives	Extends or increases a variety of tax subsidies for "green" energy production and conservation.	\$18.0
School construction bonds	Increases federal subsidies for school construction and repair projects.	10.9
Recovery Zone Bonds	Authorizes \$25 billion in federally subsidized bonds for projects that encourage growth in depressed areas.	5.4
Extension of bonus depreciation	Allows rapid depreciation of equipment purchases in 2009.	5.1
Build America Bonds	Establishes a new type of federally subsidized bond that would be available to state and local governments.	4.3
Deferral of income on the repurchase of debt	Permits companies to repurchase their own debt in 2009 and 2010 and defer taxes on any reduction in the value of that debt.	1.6
Other		7.2
Subtotal, Other Tax Provisions		(\$52.5)
Total		\$286.9

^a Expected costs over the period from 2009 to 2019, as estimated by the federal Joint Committee on Taxation.

income in tax years 2009 and 2010, up to a maximum of \$400 for an individual or \$800 for a married couple that files a joint return. The required annual earnings to reach the maximum \$400 credit is just \$6,451, so most workers will qualify for the maximum credit. The federal law also phases out the credit for high-income earners. Specifically, the credit is reduced for individuals who earn more than \$75,000 and eliminated entirely for individuals earning above \$95,000. For married couples, the credit phases out between \$150,000 and \$190,000. The JCT estimates the national cost of this provision at \$116.2 billion. The state has about 11 percent of the nation's total employment, so the income gain to state taxpayers should be roughly 11 percent of \$116.2 billion, or \$12.8 billion.

Increase in Existing Earned Income Tax Credit (EITC). The existing federal EITC provides taxpayers with a credit for up to 40 percent of earnings up to a maximum credit of \$5,028 for a household with two or more dependents. The amount that couples can claim under the EITC peaks at an income of \$19,540 and gradually phases out up to an income of \$43,415. The stimulus bill makes several changes for tax years 2009 and 2010. For households with three or more dependents, the credit percentage increases from 40 percent to 45 percent of earnings and the maximum credit increases to \$5,657. In addition, for couples with dependents the credit amount will peak at \$21,420 of income and phase out up to \$45,295. The estimated national ten-year cost of this change is \$4.7 billion. According to the Internal Revenue Service (IRS), 10.6 percent of all EITC payments went to California. Therefore, the state impact of the new provision over that period would be about \$500 million.

Increase in Child Tax Credit Refundability.

Current federal law provides a tax credit of up to \$1,000 per child. This credit is partially refundable. Refundable credits allow taxpayers to claim the difference between the credit and tax liability as a tax refund if the credit exceeds the amount owed by the taxpayer. For nonrefundable credits, if the amount of the credit exceeds liability, the taxpayer can only claim the amount of credit needed to eliminate a tax payment. The child tax credit allowed taxpayers to claim a refundable credit equal to 15 percent of earned income above \$12,550. The stimulus legislation reduces the threshold for claiming a refund to \$3,000 for tax years 2009 and 2010. This change would have two effects. First, it would increase the number of low-income households that would be able to claim a partial refund of the credit. In addition, the change would increase the amount of the credit that would be refundable for households with an income over \$12,550.

The estimated national ten-year cost is \$14.8 billion. According to the IRS, 11.1 percent of all child tax credit payments went to California. As a result, Californians would receive roughly \$1.6 billion in tax relief from this provision.

Expansion of the Hope Education Tax Credit.

As discussed in the "Education" section of this report, the federal government significantly expanded the Hope Education tax credit. The estimated national cost is \$13.9 billion over ten years. Data on California's share of these tax benefits are not available. Because the state's community college fees are about 75 percent below the national average, however, California is likely to receive a smaller share of these funds than its 11 percent share of the other tax credits.

Extension of Credit for First-Time Home-buyers. The current credit for first-time home-buyers is equal to 10 percent of the purchase price up to a maximum of \$7,500. This credit, however, was scheduled to expire on June 30, 2009. The stimulus bill extends the credit to November 30, 2009, and increases the maximum credit amount to \$8,000. The estimated national cost is \$6.6 billion over ten years. No data are available on the estimated state impact. If the state received 11 percent of these funds, it would reduce Californians' federal tax liabilities by about \$700 million.

Sales Tax Deduction for New Car Purchases. Under the stimulus bill, taxpayers will be allowed to deduct the sales tax on new car purchases from taxable income until February 2010, and will be able to take the deduction even if they take the standard deduction instead of itemizing. The limit on the cost of the vehicle is \$49,500 and the limits on the taxpayer's income are \$135,000 for a single taxpayer or \$260,000 for a couple. The estimated national cost is \$1.7 billion. Past sales data show California accounting for about 12 percent of new car sales nationally. California's share of this credit likely would tend to be higher because its average sales tax rate is high compared to other states, but lower, because the economic downturn is adversely affecting California more than other states.

Issues for Legislative Consideration

State Conformity Issues. Most of these new federal tax provisions are administered through the federal tax system and do not require state actions. In addition, according to the Franchise Tax Board, the changes to federal tax law will not automatically alter the state's tax laws—and, thus, the new provisions will not reduce state tax collections. Because of the state's fiscal situation, we do not recommend that the state conform its tax policies to any of the federal personal or corporate income tax reductions included in the stimulus act.

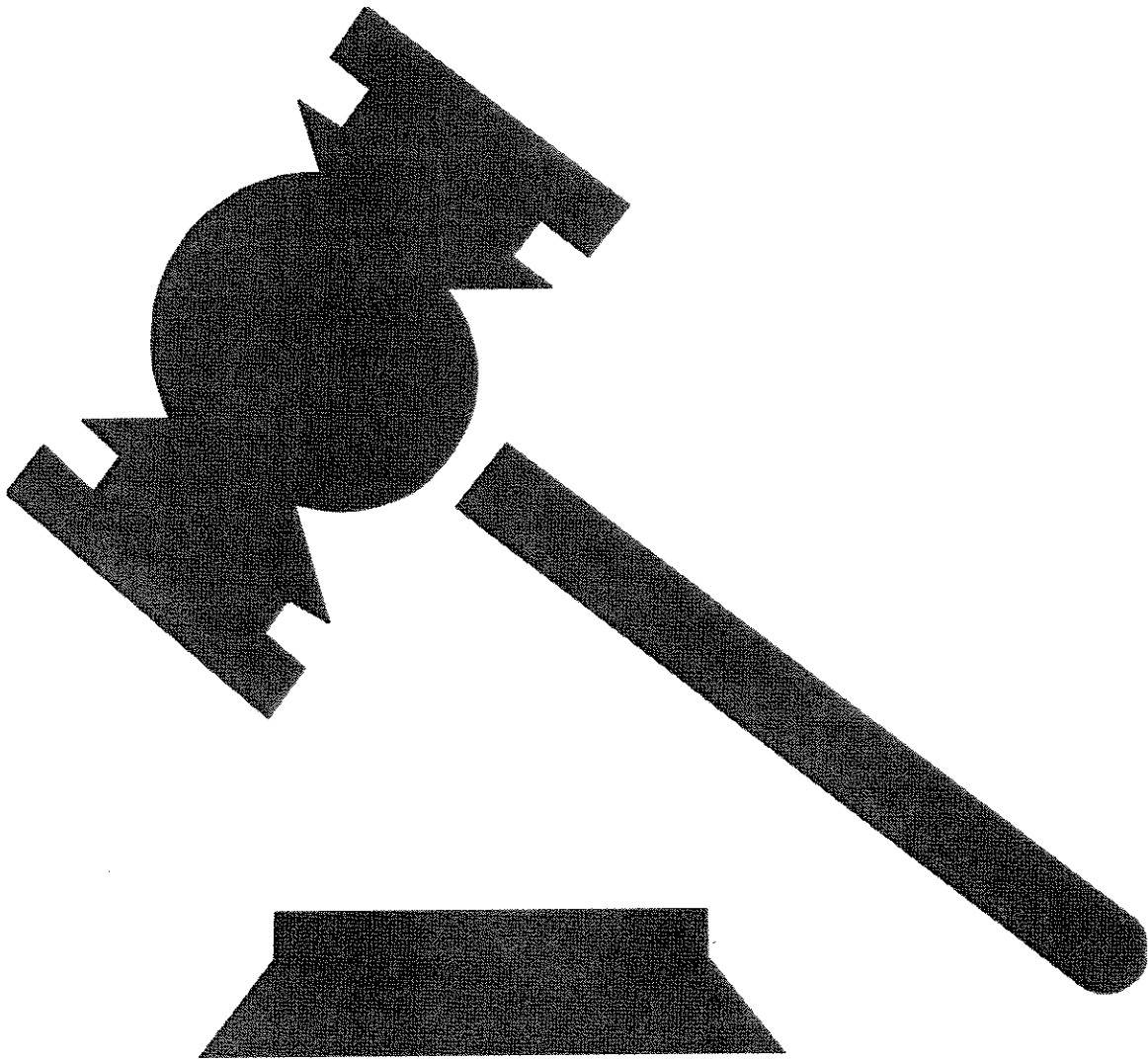
Bond Program Administration. Some of the bond-related tax credits in the stimulus bill may need to be administered by the state. At the present time, it is not clear whether federal or state agencies will administer these programs and allocation processes. If the federal government decides to give states this responsibility, the Legislature may need to choose a state agency to administer the funds. For example, the State Treasurer administers several existing bond and tax credit allocation programs, however, other state agencies also are involved. The Legislature also may need to determine how best to use the federal subsidies available for bonds to supplement existing state programs.

LAO Publications

This report was coordinated by Farra Bracht, with input from all sections in the office.

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***TRANSPORTATION
ACTION/DISCUSSION ITEMS
AGENDA ITEM III. B.***

Marla Day

From: Tony Boren
Sent: Thursday, March 12, 2009 4:20 PM
To: Marla Day
Subject: Legal Opinion on Formation of Fresno COG JPA to Enact RTMF

March 12, 2009

To: City Managers/County CAO
From: Tony Boren, Executive Director
Council of Fresno County Governments

SUBJECT: Legal Opinion on Formation of Fresno COG JPA to Enact RTMF

Attached you will find the legal opinion of Fresno COG's legal counsel, Janelle Kelley, on the COG's authority to enact and impose the Regional Transportation Mitigation Fee. In summation, the legal opinion is that the cities and the County cannot validly delegate their police power to enact the RTMF to Fresno COG, absent special legislation. This item will be discussed in greater detail at tomorrow's PAC meeting. I just wanted to give everyone the chance to review the legal opinion prior to discussion at PAC. Please feel free to call me at 233-4148 if you wish to discuss.

3/12/2009



KEVIN B. BRIGGS
Interim County Counsel

March 6, 2009

Tony Boren, Executive Director
Fresno County Council of Governments Board
2035 Tulare Street, Suite 201
Fresno, CA 93721

Re: COG's Authority to Enact and Impose RTMF

Dear Tony:

This Office has been asked to opine on whether the Fresno County Council of Governments (FCCOG) is authorized to enact the Regional Transportation Mitigation Fee (RTMF) in all 15 cities and the unincorporated areas of the County of Fresno.

Summary Answer

In summary, we do not believe that FCCOG is authorized to enact the RTMF. Nor do we believe that the Cities and the County can authorize the FCCOG to enact the RTMF through a joint powers agreement. If the parties wished to pursue the idea of FCCOG enacting the RTMF, we recommend FCCOG seek special legislation authorizing the FCCOG to enact the RTMF.

The Facts

The Measure C Expenditure Plan provides that approximately 30% of Measure C proceeds will be used to improve freeway interchanges, add additional lanes, increase safety and improve major commute corridors to provide for the movement of goods, services and people throughout the County of Fresno. In addition to the Measure C funds committed to these Regional Transportation Projects, the Measure C Expenditure Plan provides for new growth and development within the County and each of the Cities to contribute to these regional transportation projects through the payment of a RTMF. The RTMF shall cover the 20-year period of Measure C.

The Measure C Expenditure Plan requires all 15 Cities and the County to enact the RTMF. Although the Expenditure Plan required that the local agencies enact the RTMF no later than January 1, 2009, we understand that date has been pushed back to July 1,

2009 . The Expenditure Plan goes on to state that if any City or the County should choose not to implement the RTMF, then that agency shall forfeit annually from the Local Transportation Program Street Maintenance Allocation an amount equal to the amount of the RTMF that would otherwise have been paid for development projects within that jurisdiction during the year.

In accordance with the Expenditure Plan, the FCCOG hired a consultant to perform the fee study. That consultant has completed the fee study and has provided a model RTMF ordinance for the Cities and the County to enact.

We understand that the City of Fresno has proposed that a joint powers agency, in particular the FCCOG, enact the RTMF instead of the Cities and the County. Beyond that, we have been provided no other details of how the RTMF would be enacted or imposed by FCCOG. We have been asked to opine whether the FCCOG has the authority to enact the RTMF.

Development Mitigation Fees.

The RTMF is a development fee that would be imposed on new development to mitigate the impacts such new development would have on regional transportation projects as a result of the increased traffic associated with the new development. The authority to adopt development fees comes either from specific statutes (e.g., school district's authority to impose development fees comes from Govt. Code section 53080) or from an entity's police powers. We have found no statute that authorizes the FCCOG to impose the RTMF or any other development fee. Nor does the FCCOG possess police powers such that it could impose the RTMF fees on development projects.

There is no statute that authorizes the Cities and the County to enact the RTMF. The Cities and the County have authority to impose a development fee such as the RTMF as an exercise of their local police powers granted to them by the California Constitution. (See Art. XI, section 7 of the California Constitution; California Bldg. Ind. Assn. v. Governing Bd. (1988) 206 Cal.App.3d 212, 234.) However, they may not surrender or impair their right to exercise their police powers either by ordinance or contract. (Alameda County Land Use Assn. v. City of Hayward (1995) 38 Cal.App.4th 1716, 1725.) In the Alameda County case the cities of Hayward and Pleasanton, along with the County of Alameda, entered into a contract concerning approximately 13,000 acres of open pasture space that was located in both cities and the unincorporated area of the county. The contract stated that the two cities and the county would use their best efforts to adopt into their respective general plans certain specified goals and policies concerning the 13,000 acres of land. The contract further stated that once the local agencies incorporated these goals and policies into their general plans the local agencies could not amend these goals and policies without parallel amendments being adopted by the other local agencies. The appellate court found this latter provision to

be a surrender by each local agency of its right to exercise its police power in the future, namely to amend its general plan.

Here, it is proposed that, instead of each City and the County determining whether to enact the RTMF in their individual jurisdictions, the authority to make such determination be delegated to the FCCOG. We believe that such a delegation would be an invalid delegation by the Cities and the County of their right to exercise their police powers and, therefore, such delegation would be invalid and unenforceable as contrary to public policy. (Avco Community Developers, Inc. v. South Coast Regional Commn. (1976) 17 Cal.3d 785, 800.)

We do not believe that the Joint Exercise of Powers Act provides an exception to the prohibition against local agencies contracting away their police powers. The Joint Exercise of Powers Act (Govt. Code sections 6500-6599) provides that two or more public agencies may enter into an agreement to jointly exercise power common to all contracting agencies. (Govt. Code section 6502.) The agency specified in such agreement to administer or execute the agreement may be one or more of the parties to the agreement or a commission or board constituted pursuant to the agreement. (Section 6506.) The administering commission or board is a public entity separate from the parties to the agreement and shall possess the common power specified in the agreement and may exercise it in the manner provided in the agreement. (Section 6508.)

However, the Joint Exercise of Powers Act does not grant new power. It merely sets up a new procedure for the exercise of existing powers. (City of Oakland v. Williams (1940) 15 Cal.2d 542, 599.) Based thereon, we do not believe that the Joint Exercise of Powers Act grants the Cities and County the authority to delegate its police powers to enact a development fee when it is well established that police powers cannot be delegated or contracted away. (See e.g. Alameda County Land Use Assn., supra.)

We have found no reported cases that address whether delegation of police powers to a joint powers agency via a joint powers agreement is an invalid delegation of police powers. There is one Attorney General Opinion that has some language related to a joint powers agency imposing a development impact fee. In that opinion, the Attorney General addresses two issues: (1) May a joint powers agency be established by a city and a nonprofit public benefit corporation created by the city?; and (2) May a joint powers agency established by a city and another local agency impose development impact fees on the development of property in a geographic area that is not within the boundaries of any of the contracting parties? In response to question 2, the Attorney General opined that such development impact fees could not be collected on development outside the boundaries of the contracting parties. One could argue that the Attorney General, in reaching its opinion, must have first determined that the

contracting parties had the authority to contract away their right to impose development fees. Unfortunately, that is not the case. The Attorney General stated: "Here, we may assume that each of the contracting parties is authorized to impose development impact fees under its own empowering law." The Attorney General provides no facts or analysis to support such a statement. We have no facts to indicate whether the contracting parties' authority to impose development fees is statutory or results from their police powers. For this reason, we do not believe this Attorney General opinion can be used to support the proposition that local agencies can validly delegate their police power to impose development fees to a joint powers agency.

Conclusion

We do not believe that the Cities and the County can validly delegate their police power to enact the RTMF to the FCCOG. We would recommend seeking special legislation that specifically authorizes the FCCOG to enact the RTMF in the 15 Cities and the County prior to moving forward with this proposal.

Should you have further questions, please contact me.

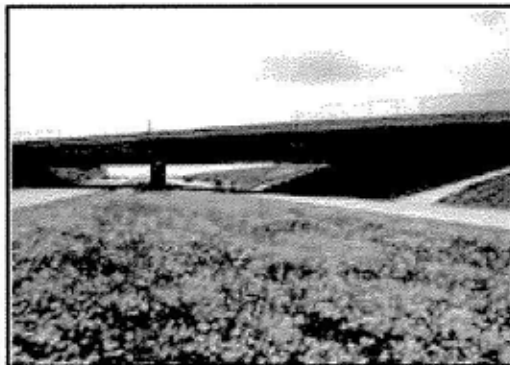
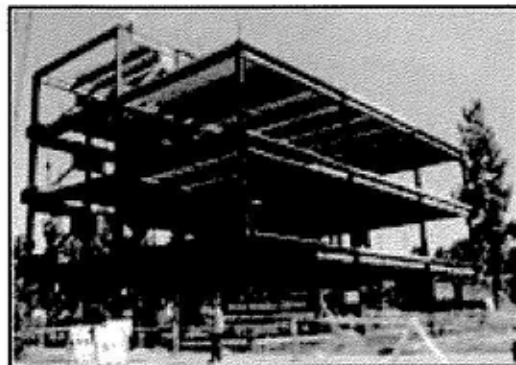
Very truly yours,

Kevin B. Briggs
Interim County Counsel


By Janelle E. Kelley
Assistant County Counsel

cc: Barbara Steck, Deputy Director, Fresno COG

Fresno Regional Traffic Mitigation Fee Draft Nexus Study Report



Submitted to:

Council of
Fresno
County Governments



Submitted by: Parsons Brinckerhoff

February 2009

EXECUTIVE SUMMARY

This report describes the methodology and results of a study undertaken to develop a Regional Transportation Mitigation Fee (RTMF) for the local governments of Fresno County. The RTMF is an important component of the Measure "C" Extension that was approved by Fresno County voters in 2006, and this study was carried out to fulfill a specific provision of the Measure.

The study was based on the conventional approach of comparing traffic level-of-service with and without the addition of traffic from expected new development to identify where capacity improvements are needed to maintain the target level-of-service. The methodology used in the study is described in Chapters 2 through 7.

Over the year-long course of the study numerous policy issues were raised and analyzed. Input was sought and received at more than a dozen public meetings and through web-based correspondence. Based on this input and guidance in Measure "C" ballot language the FCOG and FCTA Boards ultimately approved a plan that:

- Limits the use of RTMF funds to projects for state facilities identified on the Regional Transportation Funding Tier 1 list or in the Freeway Interchange Deficiency Study (FIDS).
- Exempts projects for the development of educational or governmental facilities from paying the fee, and reduces the fee for affordable housing to half of the fee for market-rate housing. Retail developments are to be given a reduction for pass-by trips that are incidental to longer trips that would have occurred anyway.
- Phases in the fee over a three-year period, with reduced fees in 2009 and 2010, and the full fee to take effect in 2011.
- Is expected to generate approximately \$213 million over a 20-year period; enough to fund approximately 20% of the overall costs of the Tier 1 and FIDS programs.

The fees adopted by the FCOG and FCTA Boards in October 2008 were as follows:

Land Use Category	2009	2010	2011 and thereafter
Residential Developments (\$/dwelling unit)			
Single-Family Dwelling (market-rate)	\$1,200	\$1,450	\$1,727
Single-Family Dwelling (affordable)	\$600	\$725	\$863
Multi-Family Dwelling (market-rate)	\$843	\$1,018	\$1,212
Multi-Family Dwelling (affordable)	\$421	\$509	\$606
Non-Residential Developments (\$/sq.ft.)			
Commercial/Retail	\$1.36	\$1.65	\$1.96
Commercial/Office/Service	\$0.85	\$1.03	\$1.23
Education	Exempt	Exempt	Exempt
Government	Exempt	Exempt	Exempt
Light Industrial	\$0.34	\$0.41	\$0.49
Heavy Industrial	\$0.07	\$0.09	\$0.10
Other Non-Residential	\$0.29	\$0.35	\$0.42

Fresno Regional Transportation Mitigation Fee NEXUS STUDY REPORT

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List of Acronyms

AB	Assembly Bill
AC	Asphalt Concrete
CCFI	Central California Future Institute
COG	Council of Governments
CTC	California Transportation Commission
FCOG	Council of Fresno County Governments
FCTA	Fresno County Transportation Authority
FDOT	Florida Department of Transportation
FIDS	Fresno-Madera Freeway Interchange Deficiency Study
HBW	Home-Based Work
HBNW	Home-Based Non-Work
ITE	Institute of Transportation Engineers
LF	Linear Foot
NCHRP	National Cooperative Highway Research Program
LOS	Traffic Level-of-Service
NHB	Non-Home-Based
PB	Parsons Brinckerhoff
PDT	Project Development Team
PM	Post Meridian (after twelve noon)
ROW	Right-of-Way
RTP-MC	Regional Transportation Program – Measure “C”
SR	State Route
STIP	State Transportation Improvement Program
V/C	Volume-to-Capacity Ratio
VMT	Vehicle-Miles Traveled

1. INTRODUCTION

Regional Transportation Mitigation Fee Study

This report is the culmination of the Fresno County Regional Transportation Mitigation Fee (RTMF) Study. The study was initiated by the Council of Fresno County Governments (FCOG) in accordance with a provision of Measure "C" that:

Fresno COG shall contract with a qualified individual or firm with experience in the development of such mitigation fees to conduct a RTMF Study, which will serve as the foundation for development of a RTMF program.

RTMF is an important part of the Measure "C" Extension approved by Fresno County voters in 2006. The RTMF is intended to ensure that future development contributes its fair share towards the costs of infrastructure to mitigate the cumulative indirect regional transportation impacts of new growth in a manner consistent with the provisions of the Mitigation Fee Act. The purpose of the RTMF Study is to develop the nexus between development and roadway capacity deficiencies, estimate the fair share of eligible project costs attributable to new development, and determine the appropriate level of fee to be charged to each unit of new development.

Basis for Impact Fees

California's Mitigation Fee Act¹ creates the legal parameters for local governments assessing new development for its fair share of the cost of infrastructure needed to serve new residents and businesses. It stipulates that a local government must take the following steps in establishing an impact fee:

- a) Identify the purpose of the fee.
- b) Identify the use to which the fee is to be put.
- c) Determine how there is a reasonable relationship between fee's use and the development type on which it is imposed.
- d) Determine how there is a reasonable relationship between the need for the facility and the type of development on which the fee is imposed.
- e) Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.

Purpose of the Impact Fee

The purpose of the RTMF is to establish a uniform, cooperative program to mitigate the cumulative indirect regional impacts of future developments on traffic conditions on high-priority state roadways in Fresno County. The fees will help fund improvements needed to maintain the target level of service in the face of the higher traffic volumes brought on by new developments.

¹ Assembly Bill 1600, which forms the basis for Sections 66000-66008 of the California Government Code.

Use of the Impact Fee

The Mitigation Fee Act requires that the local government identify the public facilities that are to be financed through the use of the impact fee. In the case of the RTMF there is guidance in Measure "C" regarding the intended uses of RTMF funds:

"The RTMF shall apply to Regional Transportation Program-Measure "C" projects identified in Tier 1, Tier 2 and other such regional projects as may be identified in the RTMF Study."

"Although it is the primary purpose of the RTP-MC funds to augment Tier I funding levels, there is recognition that it is difficult to accurately project revenues / expenditures for a 20-year period. Therefore, in the event that additional resources (e.g. federal or state earmarks) are made available to fully fund all of the Tier I projects, then it is acknowledged that the Fresno County Transportation Authority (Authority), in consultation with the Council of Fresno County Governments (Fresno COG), will have the flexibility to fund other urban and rural street and road projects contained in the Tier 2 list of regional transportation projects. This would be accomplished through the Expenditure Plan update process, and appropriate Tier 2 list project(s) would be amended into the Tier 1 funded program. "

"The RTMF shall also be structured to effectively address improvements identified in the Fresno-Madera County Freeway Deficiency Study."

Based on this guidance, FCOG determined that RTMF funds would be used for projects on the Regional Transportation Program Tier 1 list and those identified in the Fresno-Madera County Freeway Interchange Deficiency Study (FIDS). Furthermore, based on input from the member agencies and the public, FCOG adopted a policy that the regional fee should be used only for roads for regional significance. Only projects involving state facilities were considered "regional" under this policy.

Later sections of this report show how projects were identified for inclusion in the RTMF program. The list of projects to receive RTMF funding is shown in Table 25.

Determining the "Reasonable Relationships"

The Mitigation Fee Act requires the local government to determine how there are "reasonable relationships" between: a) the use of the impact fee and the development type on which it is imposed, b) the need for the facility and the type of development on which the fee is imposed, and c) the amount of the impact fee and the facility cost attributable to the development project.

To determine the "use" relationship, the development being assessed an impact fee must be reasonably shown to derive some use or benefit from the facility being built using the fee. In the case of the RTMF the projects to be funded were selected based on their ability to satisfy three sets of criteria, namely: that they were of high priority as expressed by the voters through the Measure "C" Extension priority project lists, that they performed a regional (as opposed to local) function, and that the need for the project was at least in part attributable to new development. The fact that the projects that will be funded by the RTMF are high-priority regional roads means that all of the county's new residents and businesses will benefit in important ways from the maintenance of a reasonable level of service. Most drivers in the new developments can be expected to use these roads regularly², and those that do not will nevertheless benefit because good traffic conditions on the RTMF-funded roads will keep drivers from diverting to other roads and causing congestion in other parts of the county. Even residents or workers in the new

² This is shown in the traffic forecasting work described in a later section of this report.

developments who do not drive at all will benefit from access to goods and services made possible in part by the serviceability of the regional road network.

To determine the “need” relationship the facilities to be financed must be shown to be needed at least in part because of the new development. One of the purposes of the RTMF study is to determine extent to which each of the projects on the Measure “C” project lists are needed because of new land development. This was determined by analyzing the forecast traffic demand with the expected degree of new development and comparing that with the demand without new development. Projects were analyzed individually and the degree to which the need for the project was attributable to new development varied widely from project to project. This analysis is described in a later chapter of this report.

The “amount” relationship requires that there be a reasonable proportionality between the fee charged to each type of development and the cost of the facility being financed. In the case of the RTMF the differences in the traffic generated by different types of development were factored into the fee to be charged for each type, as is described later in this report.

Structure of the Analysis

The overall structure of the RTMF Study is shown in Figure 1. The study was comprised of six major tasks as follows:

Validate Traffic Model - The main analytical tool used in the deficiency analysis was the FCOG traffic model. The first step in the study was to perform a series of tests to ensure that the model functioned properly and could be used as a basis for the fee calculation.

Determine Existing and Future Levels of Service (LOS) – The existing and future levels-of-service for the projects covered by the study were determined using the travel demand model.

Estimate Project Costs – The estimated cost for each project was checked and updated using cost data from recent projects.

Determine Funding Shortfall – Future levels of funding that could be available for funding the projects of interest were estimated for the twenty-year period of the RTMF.

Attribute Demand to Sources – The extent to which the demand for each project stems from existing traffic or future development was determined.

Compute RTMF Fees and Revenues – The final task was to compute the level of fee for different land uses and the total amount of funding that would be generated by the RTMF under several different sets of policy assumptions.

This report describes the methodology used for the analysis and presents the results of the study.

The reader should note that the RTMF was only one of several types of funding sources named in Measure “C” Extension. The suitability or unsuitability of any project for RTMF funding is not related to its suitability for funds from the Measure “C” Extension sales tax or other funding sources, but is dependent on the relative share of project need and the related cost attributable to the impacts of new development in Fresno County in accordance with the provision of the Mitigation Fee Act.

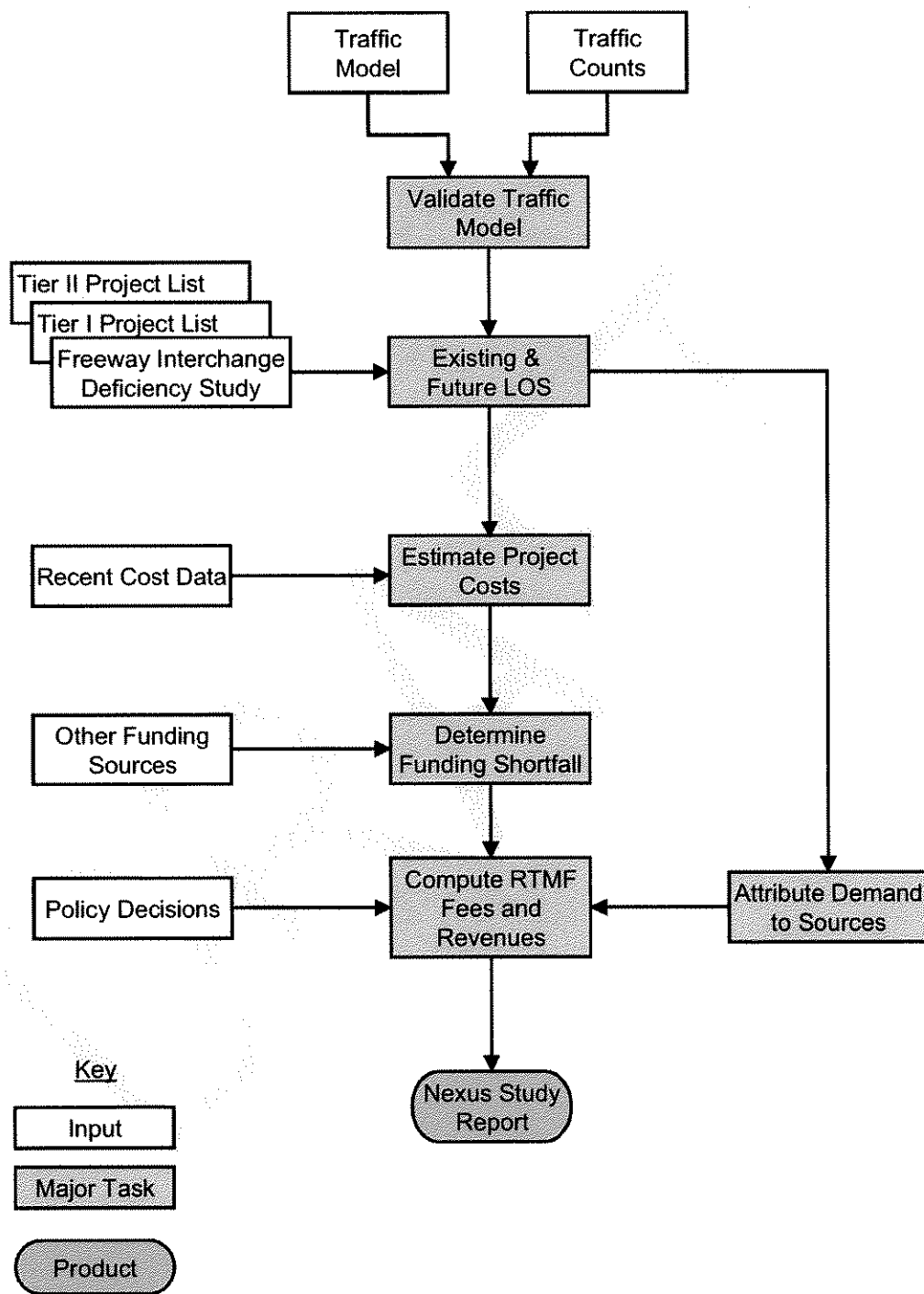


Figure 1: Overall Structure of the RTMF Study

2. VALIDATING THE TRAFFIC MODEL

Because the FCOG traffic model is a key analytical tool in this study, it was important to verify that it is capable of producing reasonable forecasts before using it as the basis for the nexus calculation. Details of the model can be found in *Fresno County Traffic Model Calibration/Validation Report and Model Documentation*³. The tests used to validate the model and the adjustments made to the model are described in the sections below.

Tests of the Traffic Model – Forecasts of Daily Volumes

FCOG's traffic model produces both forecasts of daily traffic volumes and forecasts of evening peak-hour volumes. These were tested separately.

The study team selected a sample of recent traffic count data from twenty-five sites (a total of fifty counts, since each site was counted in both directions) and compared the model's forecast of traffic to the actual traffic volumes found in the counts. Figure 2 shows a comparison of the model forecast of daily traffic to the actual counted traffic. The shaded area shows the acceptable deviation set forth in Caltrans' model validation guidelines⁴. Figure 2 indicates that there is no apparent bias in the daily model (under-estimates and over-estimates occur about equally), that none of the errors is very large, and that more than three-quarters of the sites lie within Caltrans' allowable deviations.

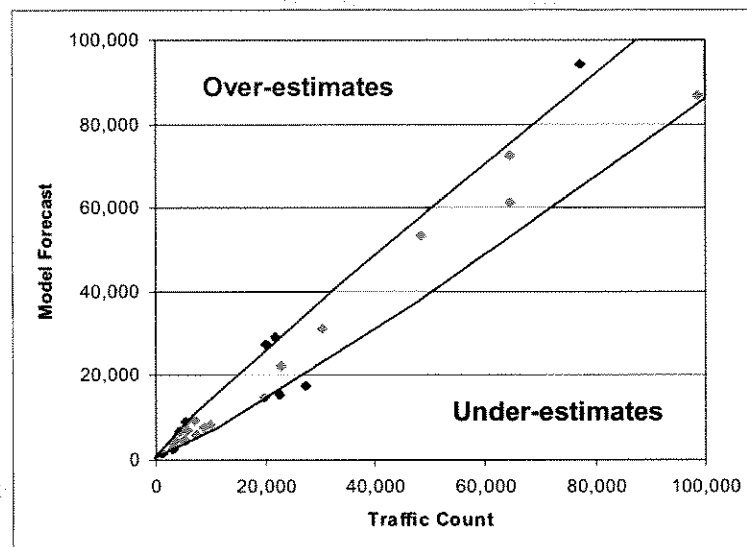


Figure 2: Model Forecast of Daily Traffic versus Traffic Counts

Table 1 shows the results of the tests of the daily forecasts with respect to Caltrans' validation guidelines. As can be seen in the table, the daily forecasts produced by the FCOG traffic model exceed every standard for acceptability.

³ Dowling Associates, September 2001

⁴ *Travel Forecasting Guidelines*, Caltrans, November 1992

Table 1: Validation Test Results for Daily Forecasts		
Validation Item	Criterion for Acceptance	Daily Model
% of Links within Caltrans' Deviation Standard	At least 75%	76% ✓
Sum of 2-way Volume of All Counted Links	Within 10% of Actual	Within 2% ✓
Correlation between Counts and Model Forecast	At least 88%	98% ✓

Tests of the Traffic Model – Forecasts of PM Peak-Hour Volumes

A similar set of performance tests were run on the PM peak-hour forecasts produced by the FCOG traffic model. In this case, however, the results (see Figure 3) were not favorable. The errors are larger and there appeared to be a definite tendency towards over-estimating traffic. The original PM peak hour model therefore did not meet the acceptance criteria for use in the study.

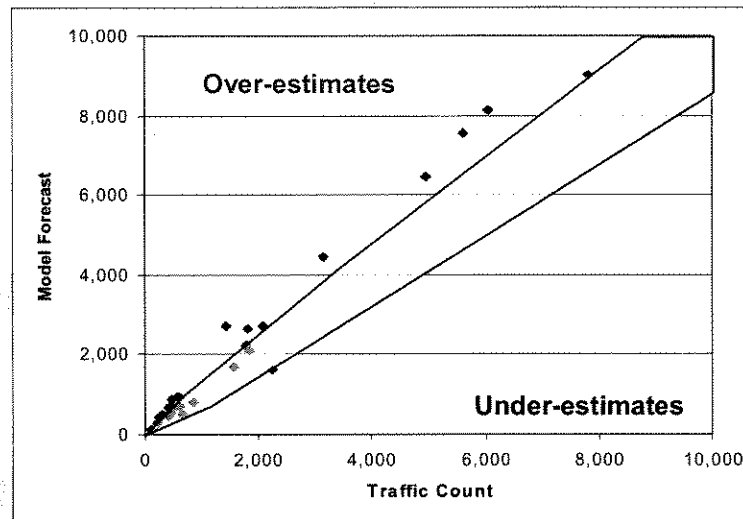


Figure 3: Original PM Peak Hour Forecasts versus Traffic Counts

In consultation with FCOG staff, it was determined that the most likely source of error in the peak-hour model was the peak-hour factor, which is a model parameter that distributes daily traffic among different hours of the day. It was found that by adjusting the peak-hour factor a version of the model could be created that more accurately reflected traffic use in peak-hour LOS calculations. This is shown in Figure 4, which compares the revised model forecast of peak hour traffic to the actual counted traffic. The shaded area shows the acceptable deviation found in Caltrans' validation guidelines. Figure 4 indicates that there is no apparent bias in the revised model (under-estimates and over-estimates occur about equally), that none of the errors are very

large, and that ninety percent of the validation results lie within Caltrans' allowable deviations. Table 2 shows the results of these tests with respect to Caltrans' validation guidelines. As can be seen in the table, the revised version of the model exceeds every standard for acceptability.

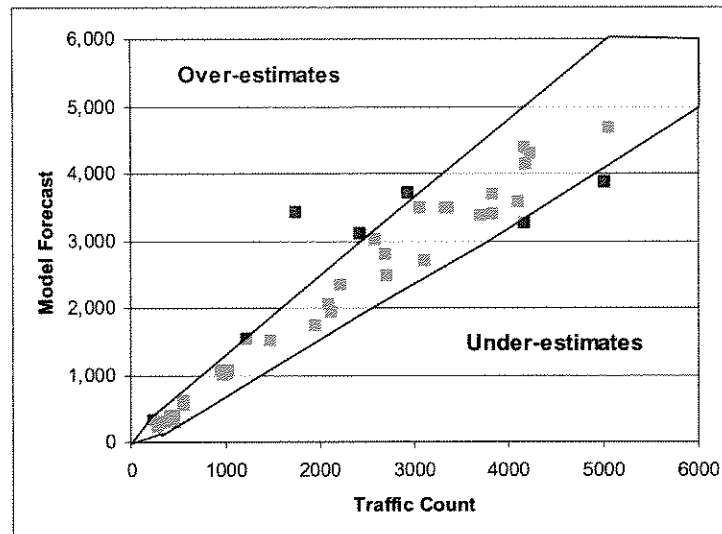


Figure 4: Adjusted PM Peak Hour Forecasts versus Traffic Counts

Table 2: Validation Test Results for PM Peak-Hour Model			
Validation Item	Criterion for Acceptance	Original PM Peak Model	Revised PM Peak Model
% of Links within Caltrans' Deviation Standard	At least 75%	52% X	90% ✓
Sum of 2-way Volume of All Counted Links	Within 10% of Actual	27% X	within 1% ✓
Correlation between Counts and Model Forecast	At least 88%	99% ✓	95% ✓

Source: Caltrans, Parsons Brinckerhoff

Having independently tested the traffic model and found the revised version to meet the acceptance criteria recommended by Caltrans, the Project Development Committee (PDT) accepted the model as a reasonable basis for the RTMF nexus analysis.

3. DEFICIENCY ANALYSIS

The Mitigation Fee Act permits agencies to collect impact fees based on the degree that new development is expected to contribute to deficient traffic conditions. There are several key aspects to this, including the definition of what constitutes deficient conditions, the amount of traffic generated by new development, and the differentiation of the traffic associated with new development from the traffic associated with existing developments. The sections below describe how the deficiencies associated with new development were determined.

Traffic Level-of-Service

Traffic conditions are often described in terms of traffic level of service (LOS), which ranges from LOS "A", indicating that drivers experience little delay, to LOS "F", indicating that drivers are likely to encounter traffic congestion with low speeds and stop-and-go conditions. Like many agencies, FCOG has elected to use the LOS tables developed by the Florida Department of Transportation (FDOT) for general planning studies such as this one. The FDOT tables are documented in FDOT's 2002 *Quality/Level of Service Handbook*⁵ and were developed using the methodologies found in the most recent edition of the *Highway Capacity Manual*⁶. The RTMF study makes use of the tables that define the threshold volumes for the range LOS's for various types of roads. These are shown in Tables 3 through 12. The values shown in the tables are the maximum traffic volumes for each level of service (LOS). For example, the first value shown in Table 3 is "11,200", which means that an average 2-way daily volume of 11,100 would be LOS "C", while a 2-way volume of 11,300 would be LOS "D", since it exceeds the maximum volume of 11,200 for LOS "C".

Table 3: State Class II Urban Arterials (2.0-4.5 intersections per mile)							
Number of Lanes	Divided or Undivided	Daily Volume (2-way)			Hourly Volume (1-way)		
		LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
2	Undivided	11,200	15,400	16,300	590	810	850
4	Divided	26,000	32,700	34,500	1,360	1,710	1,800
6	Divided	40,300	49,200	51,800	2,110	2,570	2,710
8	Divided	53,300	63,800	67,000	2,790	3,330	3,500

⁵ State of Florida Department of Transportation, 2002

⁶ *Highway Capacity Manual 2000*, Transportation Research Board, 2000.

Table 4: State Class III Urban Arterials (more than 4.5 intersections per mile)							
Number of Lanes	Divided or Undivided	Daily Volume (2-way)			Hourly Volume (1-way)		
		LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
2	Undivided	5,300	12,600	15,500	280	660	810
4	Divided	12,400	28,900	32,800	650	1,510	1,720
6	Divided	19,500	44,700	49,300	1,020	2,330	2,580
8	Divided	25,800	58,700	63,800	1,350	3,070	3,330

Table 5: Major City/County Urban Roads							
Number of Lanes	Divided or Undivided	Daily Volume (2-way)			Hourly Volume (1-way)		
		LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
2	Undivided	9,100	14,600	15,600	480	760	810
4	Divided	21,400	31,100	32,900	1,120	1,620	1,720
6	Divided	33,400	46,800	49,300	1,740	2,450	2,580
8	Divided	<i>44,133⁷</i>	<i>61,250</i>	<i>63,800</i>	<i>2,310</i>	<i>3,200</i>	<i>3,330</i>

Table 6: Urban Freeways, Interchanges Less Than 2 Miles Apart							
Number of Lanes	Divided or Undivided	Daily Volume (2-way)			Hourly Volume (1-way)		
		LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
4	Divided	52,000	67,200	76,500	2,660	3,440	3,910
6	Divided	81,700	105,800	120,200	4,180	5,410	6,150
8	Divided	111,400	144,300	163,900	5,700	7,380	8,380

⁷ Italicized values are extrapolated from other figures in the Florida DOT tables.

Table 7: Urban Freeways, Interchanges More Than 2 Miles Apart							
Number of Lanes	Divided or Undivided	Daily Volume (2-way)			Hourly Volume (1-way)		
		LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
4	Divided	55,200	67,100	74,600	2,940	3,580	3,980
6	Divided	85,300	103,600	115,300	4,550	5,530	6,150
8	Divided	115,300	140,200	156,000	6,150	7,480	8,320
10	Divided	175,500	213,500	237,100	7,760	9,440	10,480

Table 8: Uninterrupted Flow Rural Highways							
Number of Lanes	Divided or Undivided	Daily Volume (2-way)			Hourly Volume (1-way)		
		LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
2	Undivided	7,900	13,700	27,500	420	730	1,470
4	Divided	40,800	52,400	58,300	2,200	2,830	3,140
6	Divided	61,200	78,600	87,400	3,330	4,240	4,710

Table 9: Rural Highways with Isolated Signalized Intersections							
Number of Lanes	Divided or Undivided	Daily Volume (2-way)			Hourly Volume (1-way)		
		LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
2	Undivided	8,000	10,700	12,100	430	580	650
4	Divided	17,400	23,000	25,200	940	1,240	1,360
6	Divided	27,100	35,500	43,100	1,460	1,910	2,320

Table 10: Rural Interrupted Flow Arterials							
Number of Lanes	Divided or Undivided	Daily Volume (2-way)			Hourly Volume (1-way)		
		LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
2	Undivided	11,000	13,900	14,900	590	740	800
4	Divided	25,500	29,400	31,200	1,360	1,570	1,660
6	Divided	39,400	44,200	46,800	2,100	2,360	2,500

Table 11: All Rural Freeways							
Number of Lanes	Divided or Undivided	Daily Volume (2-way)			Hourly Volume (1-way)		
		LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
4	Divided	47,900	56,600	63,000	2,740	3,240	3,600
6	Divided	73,900	87,400	97,200	4,230	5,000	5,560
8	Divided	1,000	118,400	131,400	5,720	6,770	7,520

Table 12: Freeway Ramps ⁸						
Ramp Type	Daily Volume (2-way)			Hourly Volume (1-way)		
	LOS "C"	LOS "D"	LOS "E"	LOS "C"	LOS "D"	LOS "E"
Loop Ramp	11,200	12,600	14,000	933	1,050	1,167
Diamond Ramp	13,600	15,300	17,000	1,133	1,275	1,417
Freeway-to-Fwy Loop	12,800	14,400	16,000	1,067	1,200	1,333
Freeway-to-Fwy Diamond	16,000	18,000	20,000	1,333	1,500	1,667

A key feature of these tables is that a distinction is made between rural and urban areas, reflecting the fact that drivers' expectations vary depending on the type of area they are driving through. For the purposes of the LOS analysis FCOG directed the RTMF study team to consider all road segments located within the sphere of influence of any incorporated city as "urban" and those located outside of the sphere of influence of an incorporated city as "rural".

The FDOT level-of-service tables do not cover freeway ramps. For projects in this functional class the LOS thresholds developed for FCOG's Regional Transportation Plan were used.

Existing and Future Deficiencies

For the purposes of the RTMF Study, a "capacity deficiency" is defined as a condition where a facility would not meet the level-of-service threshold mandated by FCOG, which is LOS "D". One of the first major steps in the RTMF Study was to identify where deficiencies are likely to occur in the regional road network if the expected level of future development were to take place.

Fees collected under the Mitigation Fee Act must be based on a nexus between the projects to be funded by mitigation fees and the impacts resulting from the development that is being assessed the fee. Mitigation fees cannot be used to correct existing deficiencies and therefore the analysis must distinguish between deficiencies that exist today and those that will arise only if development takes place.

⁸ LOS thresholds for freeway ramps were provided by VRPA Technologies. These figures are consistent with those used to develop the Fresno COG Regional Transportation Plan.

Overview of the Deficiency Analysis Methodology

The methodology used in the deficiency analysis is outlined in Figure 5 below. The major steps include:

- 1) The main analytical tool used in the deficiency analysis was the FCOG traffic model. This model was first developed in 2001 and is frequently updated by FCOG staff. Existing land uses are classified by type and location and stored in a data file as a major input to the model.
- 2) A second major input into the model is a file containing details of the location, capacity, and free-flow speed of the existing roads in Fresno County. The model also has other input parameters, such as trip generation rates, that were left unchanged during the deficiency analysis.
- 3) The existing land use file, the existing road network file, and several other parameters were used as inputs to the model to generate an estimate of existing traffic volumes on each road section in Fresno County.
- 4) FCOG provided the study team with the results of recent traffic counts taken throughout the county.
- 5) The traffic counts were compared to the traffic estimates from the FCOG traffic model to determine whether the model was sufficiently accurate for use in the RTMF study. This was described in the previous chapter.
- 6) The PM peak-hour component of the model was revised to correct for a tendency to over-forecast traffic volumes prior to use in the study.

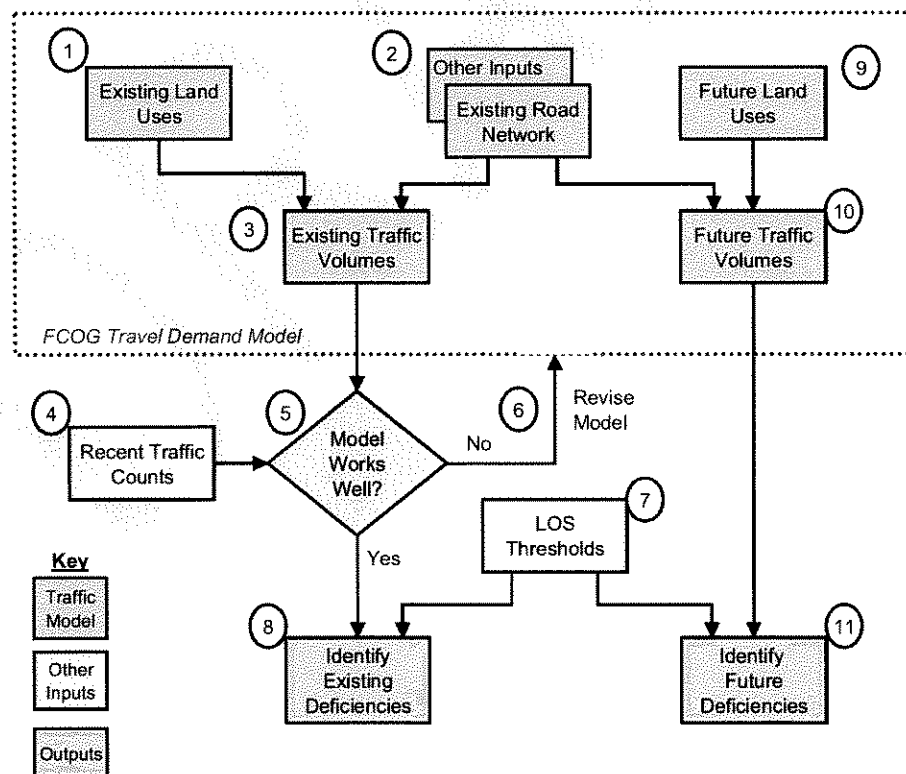


Figure 5: Steps in the Deficiency Analysis

- 7) FCOG established its level-of-service (LOS) thresholds based on the threshold tables developed by the Florida Department of Transportation. The Florida DOT tables are widely used throughout the country as a transparent and easily-administered version of the *Highway Capacity Manual* LOS methodology.
- 8) The existing traffic volumes were then compared to the LOS thresholds to determine where deficiencies already exist.
- 9) FCOG's assumptions regarding future development were then entered into the traffic model.
- 10) The model was run assuming future land uses (existing land uses plus future development) but no changes to the existing road network. The output was a forecast of future traffic volumes under these conditions.
- 11) The traffic volumes were then compared to the LOS tables to determine where future roadway capacity deficiencies are likely to occur if the expected amount of development takes place.

The next section describes the future year land use assumptions used in this analysis.

Land Use Assumptions

FCOG's responsibilities for long-term planning entail the use of population and employment forecasts. The forecasts currently used by FCOG were prepared for the 2000-2025 period by the Central California Future Institute (CCFI) and were later extrapolated to 2030 by FCOG staff⁹. These forecasts are summarized in Table 13 below.

Table 13: Summary of Development Assumptions					
Forecast Item	2005	2015	2025	Total Growth	Average Annual Growth Rate
Population	899,288	1,086,432	1,290,264	43.5%	1.8%
Households	302,621	370,089	443,195	46.5%	1.9%
Total Employment	373,494	461,541	557,364	49.2%	2.0%
Retail	56,041	69,454	83,868	49.7%	2.0%
Service	81,760	115,412	151,442	85.2%	3.1%
Government	36,152	44,370	53,636	48.4%	2.0%
Educational	36,246	48,189	61,252	69.0%	2.7%
Other	163,288	184,548	207,166	26.9%	1.2%

⁹ See 2006 Fresno COG Conformity Analysis Model Documentation

The CCFI forecasts an overall long-term rate of population growth of 1.8%, which is the same as the growth actually measured between the 1990 and 2000 U.S. Census for Fresno County. These forecasts also predict a slightly higher rate of growth for employment than for households, which is a continuation of an existing trend in California.

Other forecasts of population and employment are available from the California State Department of Finance and the State Department of Transportation Office of Transportation Economics. The CCFI growth forecasts fall between the forecasts of these two agencies.

In terms of spatial distribution, the forecasts assume that most population growth will be concentrated within the spheres of influence of the cities of Fresno and Clovis. However, moderate population growth is expected in a wide swath on both sides of Highway 99 (see Figure 6 below). The fastest growth in employment is expected to occur along the eastern edges of the cities of Fresno and Clovis (see Figure 7 below). Outside of the metropolitan area the growth of employment is distributed more evenly than the growth in population.

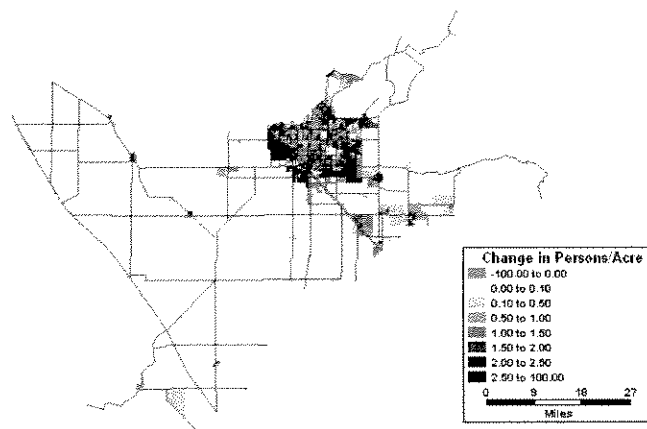


Figure 6: Spatial Distribution of Anticipated Population Growth, 2005-2030

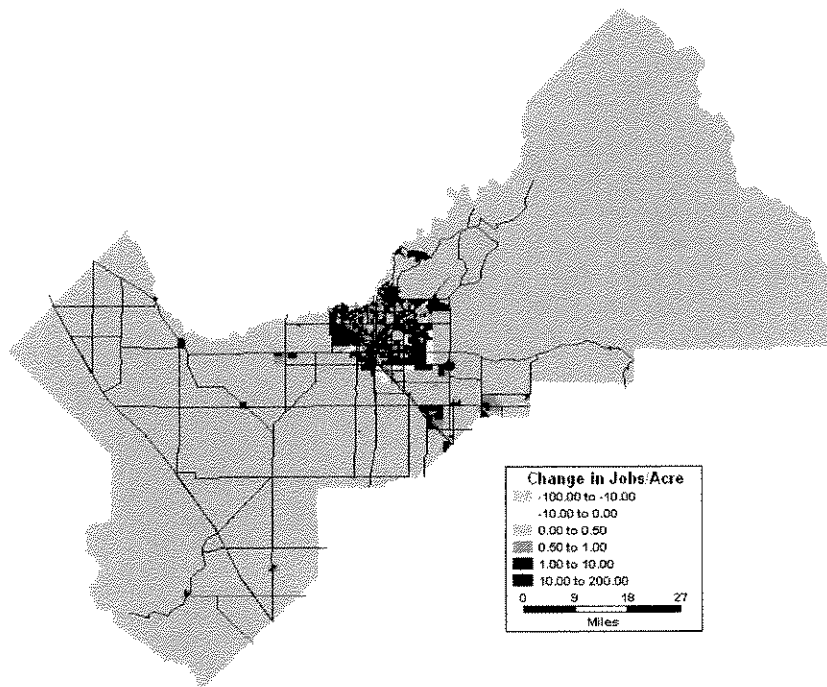


Figure 7: Spatial Distribution of Anticipated Employment Growth, 2005-2030

Determining Average Volume and Volume-to-Capacity (V/C) Ratio

As stated earlier, the average volumes for each project were taken from model runs of the FCOG traffic model. Daily volumes were used for all projects except for those related to freeway interchanges, in which case peak-hour volumes were used.

Most of the proposed projects consisted of more than one link in the model which raised the issue of which link or links should be used to represent the project in the analysis. For the purposes of this analysis the most congested link, as measured by the V/C ratio, was used to represent the facility, based on the reasoning that the congested portion of the facility represents the primary deficiency and would be the impetus for consideration of an improvement project.

There were several special cases that required a somewhat different approach. The traffic signal synchronization project and the traffic management center (Urban Tier 2 Projects EE and NN) are not associated with identifiable links and so cannot be analyzed through an LOS test. They were therefore excluded from the analysis. Certain other projects involve entirely new facilities and so there is no existing traffic or V/C ratio. In such cases the volumes, capacities and V/C ratios of the existing alternate routes that most closely serve the same function as the proposed project were substituted. For example, for the SR-180 eastward extension (Urban Tier 1 Project A) the traffic conditions on Olive Avenue and Belmont Avenue were used since those would be the alternate routes if SR-180 was not extended.

Results to the Deficiency Analysis

The results of the deficiency analysis are shown in Tables 14, 15, and 16. The key results from the point of view of levying a traffic mitigation fee are shown in the shaded cells in the tables. The

yellow-shaded cells in these tables indicate facilities that currently meet FCOG's LOS standard of "D", but will not meet that standard in the future if land development occurs as expected and additional road capacity is not provided. This combination of conditions indicates a nexus between land development and a capacity deficiency and therefore indicates a project that would meet the legal requirement for eligibility for funding through mitigation fees.

The green-shaded cells indicate facilities that already fail to meet FCOG's LOS standard of "D" and whose V/C ratio would worsen in the future if land development proceeds as expected and additional road capacity is not provided. For such projects, a distinction will need to be made between the portion of the future deficiency that is attributable to existing traffic and the portion attributable to future land development. Only the latter portion has a nexus to mitigating the impact of new development and therefore would be eligible for funding through a mitigation fee.

Projects with no shading are expected to meet FCOG's LOS standard of "D" even without capacity improvements. By definition there is no deficiency requiring correction, so these projects would not be eligible for funding through a traffic mitigation fee. However, this does not mean that the project may not be justified under some other criteria used for a different funding source.

Table 14: V/C ratio and LOS for Tier 1 Projects

Project ID	Project Name	Existing		Future	
		V/C Ratio	LOS	V/C Ratio	LOS
URBAN TIER 1	A SR-180 East Seg II	1.79	F	2.62	F
	B SR-180 West Seg II	1.59	F	2.11	F
	C SR-41/SR-168/SR-180	0.90	D	1.42	F
	D Willow Avenue	0.77	D	1.80	F
	E Temperance Avenue	0.79	D	1.54	F
	F Ventura Boulevard	0.67	C or better	1.03	E
	G SR-99 Monterey Bridge Retrofit	0.61	C or better	1.01	E
	H California Ave Widening	0.54	D	1.28	F
	I Peach Ave Widening	1.40	F	1.76	F
	J SR-41 Auxiliary Lane	0.51	C or better	0.70	C or better
	K Herndon Ave Widening	0.66	D	1.09	E
	L Shaw Ave Upgrades	1.28	F	2.29	F
	M SR-99 North & Cedar Interchanges	0.17	C or better	0.65	C or better
	N Veteran's Boulevard	1.91	F	3.17	F
RURAL TIER 1	A SR-180 West	0.62	D	0.99	D
	B SR-180 East Seg III	0.95	D	2.62	F
	C SR-180 East Seg IV	1.00	E	1.34	E
	D SR-180 East Seg V	0.96	D	1.31	E
	E Friant Road Widening	0.24	C or better	0.39	C or better
	F Golden State Boulevard	0.18	C or better	0.47	C or better
	G SR-269 Bridge Improvement	0.57	C or better	0.90	D
	H SR-180 West I5 Extension	0.35	C or better	0.57	C or better
	I Mountain View Ave Widening	0.68	D	1.26	E
	J Mendocino Ave Widening	0.22	C or better	0.30	C or better
	K SR-99 American Ave Interchange	0.15	C or better	0.50	C or better
	L I-5/SR-198 Interchange Improvement	0.17	C or better	0.28	C or better

Table 15: V/C Ratio and LOS for Tier 2 Projects

Project ID	Project Name	Existing		Future	
		V/C Ratio	LOS	V/C Ratio	LOS
URBAN TIER 2	AA SR-99 Ramp Improvement	0.63	C or better	1.10	E
	BB SR-41 O Street Auxiliary Lanes	0.24	C or better	0.31	C or better
	CC Friant Road Widening	0.83	D	1.11	F
	DD SR-99 Shaw Ave Interchange	0.49	D	0.97	D
	EE Traffic Synchronization	Not Computable		Not Computable	
	FF Herndon Ave Widening	0.39	C or better	0.87	D
	GG SR-99 Auxiliary Lanes	0.61	C or better	0.86	D
	HH Blackstone Ave Turn Lanes	1.35	F	1.47	F
	II SR-99 Shields Ave Overcrossing	0.22	C or better	0.45	C or better
	JJ McCall Widening	0.12	C or better	0.30	C or better
	KK Shepherd Ave Widening	0.26	C or better	0.61	C or better
	LL SR-41 Auxiliary Lanes	0.69	C or better	0.82	D
	MM SR-99 Widening	0.53	C or better	0.84	D
	NN Traffic Management Center	Not Computable		Not Computable	
	OO Minnewawa 4-Lane Project	0.71	C or better	1.61	F
RURAL TIER 2	AA SR-99 Interchange Improvement	0.84	D	1.42	F
	BB SR-145 Widening	0.60	C or better	0.84	D
	CC SR-33 Widening	0.44	C or better	0.72	C or better
	DD Academy Parkway	0.41	C or better	0.69	C or better
	EE SR-41 Central & American Interchange	0.45	D	1.41	F
	FF Millerton Road Widening	0.63	D	0.79	D
	GG Manning Ave Widening	0.68	D	0.94	D
	HH SR-43 Widening	0.96	D	1.41	E
	II McCall Ave Connection	0.17	C or better	0.73	C or better
	JJ SR-180 E Seg VI	0.94	D	1.28	E

Table 16: V/C Ratio and LOS for FIDS Projects

Project ID		Project Name	Existing		Future	
			V/C Ratio	LOS	V/C Ratio	LOS
PROJECTS IN THE FREEWAY INTERCHANGE DEFICIENCY STUDY	1	SR-99/Mountain View	0.34	C or better	0.47	C or better
	2	SR-99/Floral	0.23	C or better	0.24	C or better
	3	SR-99/Manning	0.27	C or better	0.49	C or better
	4	SR-99/Central	0.43	C or better	0.32	C or better
	5	SR-99/Ventura	0.44	C or better	0.86	C or better
	6	SR-99/Fresno	0.56	C or better	0.91	D
	7	SR-99/Stanislaus	0.21	C or better	0.71	C or better
	8	SR-99/Belmont	0.72	C or better	1.14	F
	9	SR-99/Olive	0.12	C or better	0.78	C or better
	10	SR-99/Clinton	0.59	C or better	0.88	C or better
	11	SR-99/Ashlan	0.81	C or better	0.91	D
	12	SR-99/Shaw	0.44	C or better	0.71	C or better
	13	SR-99/Herndon	0.26	C or better	0.57	C or better
	14	SR-41/Van Ness	0.36	C or better	0.67	C or better
	15	SR-41/Tulare&Divisadero	0.77	C or better	1.16	F
	16	SR-41/McKinley	0.65	C or better	0.77	C or better
	17	SR-41/Shields	0.59	C or better	0.84	C or better
	18	SR-41/Ashlan	0.65	C or better	1.06	E
	19	SR-41/Shaw	0.57	C or better	1.00	D
	20	SR-41/Bullard	0.64	C or better	1.19	F
	21	SR-41/Friant	1.04	E	1.27	F
	22	SR-180/N. Fulton & Van Ness	0.68	C or better	1.04	E
	23	SR-168/Bullard	0.19	C or better	0.78	C or better
	24	SR-168/Shaw	0.53	C or better	1.02	E

4. COST REVIEW METHODOLOGY

Purpose of the Cost Estimate Review

The cost estimate review undertaken as part of this study is intended to serve several purposes:

- To provide agencies an opportunity to update project cost estimates in light of situations that may have changed since the Measure "C" Extension was developed.
- To provide an independent check on the reasonableness of the estimates, thereby lessening the risk that errors in the cost estimates would result in the RTMF either over- or under-charging new development for needed mitigations.
- To ensure that project cost components meet the legal eligibility requirements set forth in the Mitigation Fee Act and were handled in a reasonably consistent manner for projects from different jurisdictions, while taking into consideration the differences in settings.

The cost estimate review was undertaken in the knowledge that Measure "C" Extension is a twenty-year program with projects in different stages of preparation ranging from little more than a preliminary concept all the way to final designs ready for construction. In many cases detailed information was not available because projects are still in the concept stage. Nevertheless, an effort was made to accomplish the three goals described above to the extent possible. The RTMF program is expected to incorporate a mechanism for regular periodic reviews of the project list that will enable further refinement of project cost estimates as projects progress through the various stages of design.

An overview of the methodology used to develop the forecasts is provided in the section below.

Overview of the Cost Review Methodology

The methodology used in the deficiency analysis is outlined in Figure 8 below. The major steps include:

- 1) The first step was to contact each project's lead agency to request their most recent information on the cost of Measure "C" Extension projects. This request was made either through the agency representatives on the PDT, direct contact by telephone, or at meetings at the agencies' offices.
- 2) Two types of information were requested; namely cross-sections and layouts showing what the project entailed and the cost estimates prepared by the agency.
- 3) The project layouts and cross-sections were used to estimate the quantities of various components of the project, such as cubic feet of earth moved, square feet of pavement constructed, and linear feet of curb and gutter to be provided. These quantities were compared to the quantities used in the agency cost estimates and discrepancies were identified.
- 4) Next, the various components of the project were reviewed to determine if any were clearly ineligible under the Mitigation Fee Act. For example, an otherwise eligible capacity expansion project might include a beautification component whose costs are not allowable under the RTMF.

The agency budgets were also checked to determine if any allowable cost was omitted, such as environmental mitigations during construction or the cost of relocating utilities.

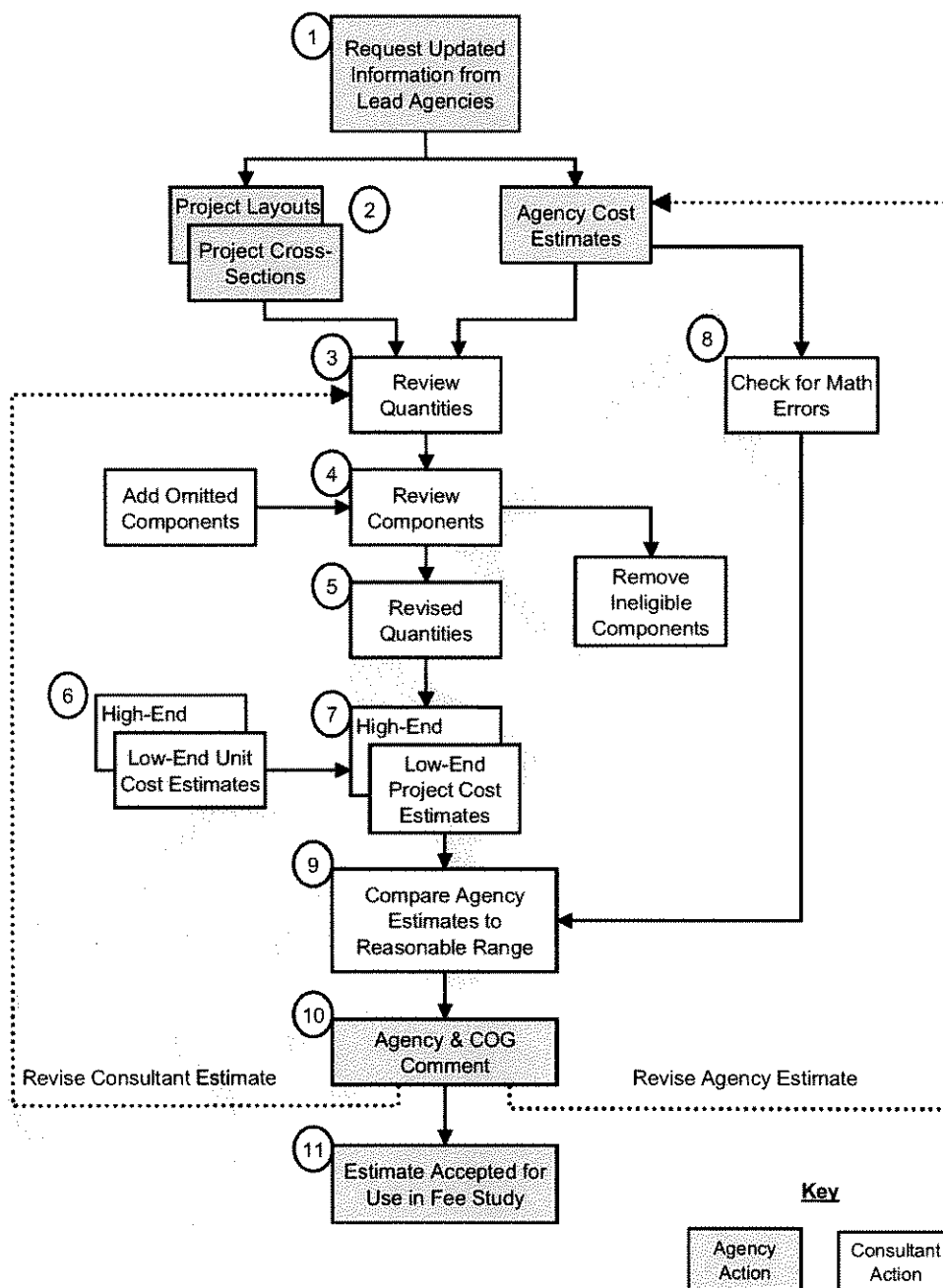


Figure 8: Steps in the Project Cost Review

- 5) The product of the review of quantities and components was a revised estimate of quantities.
- 6) Unit costs for such things as asphalt concrete, storm drainage, and lane striping were taken from a variety of sources, and high- and low-end unit costs were determined for each.
- 7) The high- and low-end unit costs were then multiplied by the revised quantities to produce high- and low-end cost estimates for each project. The high- and low-end costs defined the “expected range” of cost estimates for each project.
- 8) The agency cost estimates were checked for math errors.
- 9) The agency project cost estimates were then compared to the “expected range” to gauge whether the agency estimates could be considered reasonable.
- 10) The draft cost review analysis for each project was sent to the lead agency and to FCOG for comment. In some cases the cost reviews were revised in light of agency comments while in other cases the agency estimates were revised in light of the reviewing engineers’ comments.
- 11) Once a project cost estimate was considered reasonable by all three parties (FCOG, the agency, and the reviewing consultants) it was considered complete and acceptable as the basis for the fee analysis.

The next sections provide additional detail regarding some of the key steps in the cost review process.

Review of Quantities

Each lead agency was asked to provide project information, including preliminary cost estimates, a complete project description, and typical section. The information provided for each project ranged greatly, from nothing more than the project description listed in the Measure “C” Extension brochure to detailed tables using the Basic Engineering Estimate System. The information provided for each project dictated the method of approach used to generate a project cost estimate.

For about half of the projects there was little or no detailed information available except for the project description in the Measure “C” Extension ballot materials. In such cases independent cost estimates were generated by the reviewing engineer using this project description and generic unit cost information for similar facilities (e.g. \$4.7 million per mile for new 2-lane roads).

The baseline conditions for each project were determined using aerial photographs. In some cases this task was complicated by the fact that the landscape had changed or was changing due to development activities. In some images, construction equipment could be seen and so the extent of existing improvements was not clear. A limited number of field checks were made to supplement the aerial imagery. In cases where construction seemed to be occurring in Measure “C” Extension project locations, that portion of the project was assumed complete, or at least funded, and was removed from the revised cost estimates and noted in the project assumptions. Roadway standards for each jurisdiction were used to determine the typical section of the proposed improvement for the purpose of establishing roadway quantities and associated costs. In certain cases typical sections were determined by examining adjacent roadway segments that had already been improved and assuming that a consistent geometric design would be carried through to the next section. Agency design standards were used when available, otherwise Caltrans standards were assumed. If no specific project information was provided, the typical section used to generate pavement costs was assumed to be 6.5” of asphalt concrete over 23” of aggregate base.

The aerial imagery programs were also used to determine other potential impacts, such as utility relocations, structure widening, signal improvements, full right-of-way takes, and potential retaining and sound wall locations.

Review of Components

The cost estimates provided by the lead agencies were also checked to verify that the cost of all major items were included such as erosion control, traffic control, environmental mitigation, and right of way. In addition, 31% was added to construction budgets to account for "soft" costs such as design, environmental clearance, and construction management. A contingency factor of 20%-35% was used depending on the quality of the available data, with higher contingencies being used for projects where the data was less complete. The cost for all roadway items includes clearing and grubbing, roadway excavation, and placement of improvement, unless otherwise noted.

High- and Low-End Unit Costs

An independent reviewer's cost estimate was generated using this information with a range of costs associated with specific improvements. This range of costs was developed using standard industry unit pricing. In some instances, the improvement costs were dependent on whether the project was in a rural or urban area. For example, utility adjustments for rural locations tend to cost less than in urban areas because underground utilities are more common in urban areas than rural areas. Table 17 illustrates the improvement line items that were typically used in estimating Measure "C" Extension projects and the costs associated with each.

Table 17: Summary of Per-Unit Cost Assumptions				
Typical Costs	Urban		Rural	
	Low	High	Low	High
12' Lane (AC) (Per additional Lane)	\$90/LF	\$120/LF	\$90/LF	\$120/LF
12' Lane (PCCP) (Per additional Lane)	\$120/LF	\$150/LF	\$120/LF	\$150/LF
Curb, Gutter, and Sidewalk (Both sides)	\$120/LF		\$120/LF (If required)	
Storm Drainage (Both Side)	\$34/LF	\$40/LF	-	-
Drainage (Ditch Excavation)	-	-	\$12.50/LF	\$15/LF
Signing and Striping	\$7/LF	\$20/LF*	\$7/LF	\$20/LF*
Traffic Control	5%	10%	2%	5%
Erosion Control	1%	3%	1%	3%
Shoulder (/ft Shoulder Width/LF of Project)	\$15		\$15	
14' Landscaped Median (w/ curb & irrigation)	\$60/LF		\$60/LF	
Signal Interconnect	\$10/LF		\$10/LF	
Utility Adjustment	\$15/LF	\$60/LF	\$15/LF	\$20/LF
Lighting	\$40/LF	\$60/LF	120,000/Intersection	
Note: * The high end for signing and striping is typically used for freeways and expressways.				

The Caltrans 2006 Contract Cost Data was used to determine unit costs for specific line items. Both statewide and district averages were compared to give a range of costs for those items where data was available. This check provided guidance on items that may have been

under- or over-estimated. For example, some projects' original cost estimates used \$60/ton for asphalt concrete when this item typically costs \$80/ton. If the \$60/ton estimate was used in funding the project and the bids came at \$80/ton, then these projects could potentially have substantial budget shortfalls.

Selecting Which Cost to Use

Once the expected range of costs was defined, the next step was to determine a single cost figure for use in the computation of the RTMF. It should be stressed that the only purpose of these cost estimates was to provide a reasonable basis for collecting an impact fee; the estimates do not imply official approval, nor are they meant to preclude future revisions as each project's situation evolves. As is generally the case for planning-level studies, it was assumed that although the cost estimate for individual projects may prove to be high or low, when the aggregate cost of the entire list of projects is considered the under- and over-estimates for individual projects will tend to cancel each other out.

The method used for selecting the cost estimate is outlined in the form of a decision tree in Figure 9 below:

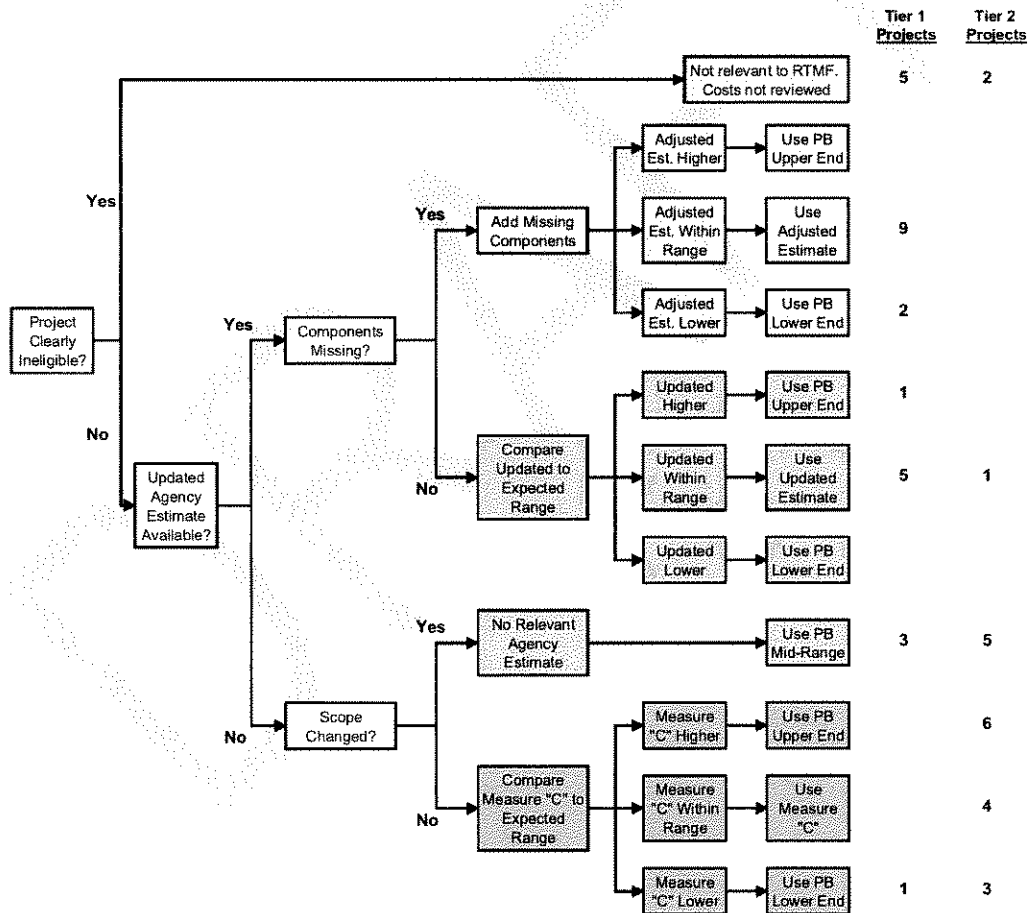


Figure 9: Decision Tree for Selecting Cost Estimate

The first branch in the decision tree was to determine whether the project was clearly ineligible for funding under the Mitigation Fee Act. If the project was clearly ineligible then it is irrelevant to the nexus study and no cost review was performed. The next question was whether or not the sponsoring agency provided an updated project cost estimate. If an updated estimate was available, the next step was to determine whether the updated estimate covered all project components or whether some components were missing. For example, in some cases agencies estimated construction costs but did not include soft costs such as environmental clearance and design, while in other cases a project was to be implemented in stages and estimates were made only for the initial stages. If components were missing, then PB estimated the costs of the missing components and used these to produce an adjusted estimate. In either case the estimate was then compared to the expected range to see whether it fell within the range and, if not, whether it was higher or lower. If the agency estimate fell within the expected range then the agency estimate was used. If not, then if the agency estimate was above the range then the upper limit of the expected range was used, and if it was below the range then the lower limit of the expected range was used.

In cases where the lead agency did not provide an updated cost estimate then the cost review centered on the cost estimate in the original Measure "C" Extension ballot material. If the scope of the project had changed since Measure "C" Extension was passed but the agency had not yet updated its cost estimate, then the middle of the range of the PB estimate was used. If there were no changes to the project scope then the Measure "C" Extension estimate was compared to the expected range to see whether it fell within the range and, if not, whether it was higher or lower. If the Measure "C" Extension estimate fell within the expected range then the Measure "C" Extension estimate was used. If not, then if the Measure "C" Extension estimate was above the range then the upper limit of the range was used, and if it was below the range then lower limit of the range was used.

Updated Costs for Each Project

The updated costs produced through the cost review process described in the previous section are shown in Tables 18 through 21 below.

Table 18: Updated Costs for Urban Tier 1 Projects			
Project ID	Project Name	Measure "C" Cost Estimate	Updated Cost Estimate
A	SR-180 East Segment II	\$33,479,701	\$33,480,000
B	SR-180 West Segment II	\$6,995,758	\$5,450,000
C	SR-41/168/180	\$29,981,821	\$114,000,000
D	Willow Avenue	\$13,991,517	\$19,660,000
E	Temperance Avenue	\$5,996,364	\$4,100,000
F	Ventura Boulevard	\$5,000,000	\$5,000,000
G	SR-99 Monterey Bridge Retrofit	\$1,000,000	\$1,000,000
H	California Ave Widening	\$7,995,152	\$12,550,000
I	Peach Ave Widening	\$24,984,851	\$17,300,000
J	SR-41 Auxiliary Lane	\$3,000,000	\$11,400,000
K	Herndon Ave Widening	\$30,000,000	\$42,200,000
L	Shaw Ave Upgrades	\$31,580,852	\$17,500,000
M	SR-99 North & Cedar Interchanges	\$24,984,851	\$81,220,000
N	Veteran's Boulevard	\$60,000,000	\$117,980,000
Total for Urban Tier 1		\$278,990,867	\$482,830,000

Table 19: Updated Costs for Rural Tier 1 Projects			
Project ID	Project Name	Measure "C" Cost Estimate	Updated Cost Estimate
A	SR-180 West	\$9,993,940	\$8,610,000
B	SR-180 East Segment III	\$14,491,214	\$42,600,000
C	SR-180 East Segment IV	\$38,976,368	\$46,460,000
D	SR-180 East Segment V	\$42,674,126	\$59,920,000
E	Friant Road Widening	\$16,490,002	\$5,900,000
F	Golden State Boulevard	\$34,978,792	\$34,980,000
G	SR-269 Bridge Improvement	\$16,989,699	\$16,990,000
H	SR-180 West I-5 Extension	\$39,975,762	\$183,000,000
I	Mountain View Ave Widening	\$5,496,667	\$25,630,000
J	Mendocino Ave Widening	\$1,998,788	\$3,350,000
K	SR-99 American Ave Interchange	\$24,984,851	\$24,300,000
L	I-5 Interchange Improvement	\$7,995,152	\$12,010,000
Total for Rural Tier 1		\$255,045,361	\$463,750,000

Table 20: Updated Costs for Urban Tier 2 Projects			
Project ID	Project Name	Measure "C" Cost Estimate	Updated Cost Estimate
AA	SR-99 Ramp Improvement	\$7,995,152	\$45,000,000
BB	SR-41 Aux Lanes Herndon to O Str	\$162,000,000	\$63,500,000
CC	Friant Road Widening	\$9,993,940	\$8,100,000
DD	SR-99 Shaw Ave Interchange	\$34,978,792	\$34,980,000
EE	Traffic Synchronization	\$24,984,851	\$24,980,000
FF	Herndon Ave Widening	\$5,796,485	\$16,410,000
GG	SR-99 Auxiliary Lanes	\$59,963,643	\$59,960,000
HH	Blackstone Ave Turn Lanes	\$1,998,788	\$2,200,000
II	SR-99 Shields Ave Overcrossing	\$59,963,643	\$59,960,000
JJ	McCall Widening	\$10,993,334	\$10,990,000
KK	Shepherd Ave Widening	\$15,490,608	\$37,500,000
LL	SR-41 Auxiliary Lanes ¹⁰	\$9,993,940	\$0
MM	SR-99 Widening	\$29,981,821	\$29,981,821
NN	Traffic Management Center	\$993,940	\$990,000
OO	Minnewawa 4-Lane Project	\$34,978,792	\$17,900,000
Total for Urban Tier 2		\$470,107,729	\$412,140,000

¹⁰ This project appears to be a subset of project Urban Tier 2 BB

Table 21: Updated Costs for Rural Tier 2 Projects			
Project ID	Project Name	Measure "C" Cost Estimate	Updated Cost Estimate
AA	SR-99 Interchange Improvement	\$24,984,851	\$50,000,000
BB	SR-145 Widening	\$22,986,063	\$12,800,000
CC	SR-33 Widening	\$8,245,001	\$9,070,000
DD	Academy Parkway	\$23,386,250	\$6,100,000
EE	SR-41 Interchange Upgrade	\$49,969,702	\$32,000,000
FF	Millerton Road Widening	\$11,992,729	\$29,030,000
GG	Manning Ave Widening	\$3,697,758	\$15,200,000
HH	SR-43 Widening	\$89,945,464	\$47,500,000
II	McCall Ave Connection	\$34,978,792	\$19,100,000
JJ	SR-180 E Segment VI	\$40,975,156	\$53,270,000
Total for Rural Tier 2		\$311,161,766	\$274,070,000

The results are shown in a different format in Figures 10 and 11. In the figures the X-axis is the original cost estimate used in the Measure "C" Extension brochure and the Y-axis is the updated cost. An "equal cost line" is shown to indicate where the updated cost equals the cost in the Measure "C" Extension ballot materials. Dots shown above the equal cost line are cases where the updated costs are higher than the original estimates, while dots below the equal cost line are cases where the updated costs are lower. As can be seen in the figures, project cost estimates were revised in both directions since the passage of Measure "C" Extension. However, for Tier 1 projects in particular, the magnitude of the upward revisions for projects with cost increases tends to be larger than the magnitude of the downward revisions for projects with cost decreases.

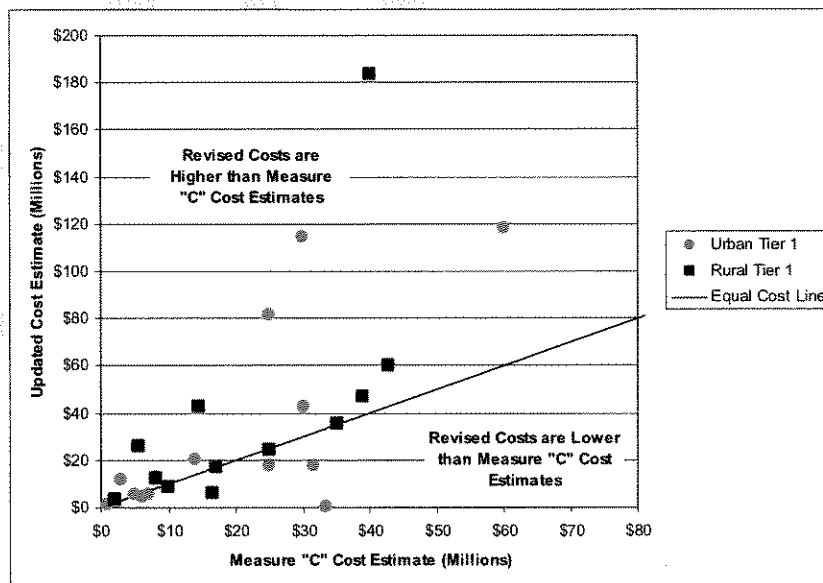


Figure 10: Comparison of Measure "C" and Updated Cost Estimates, Tier 1 Projects

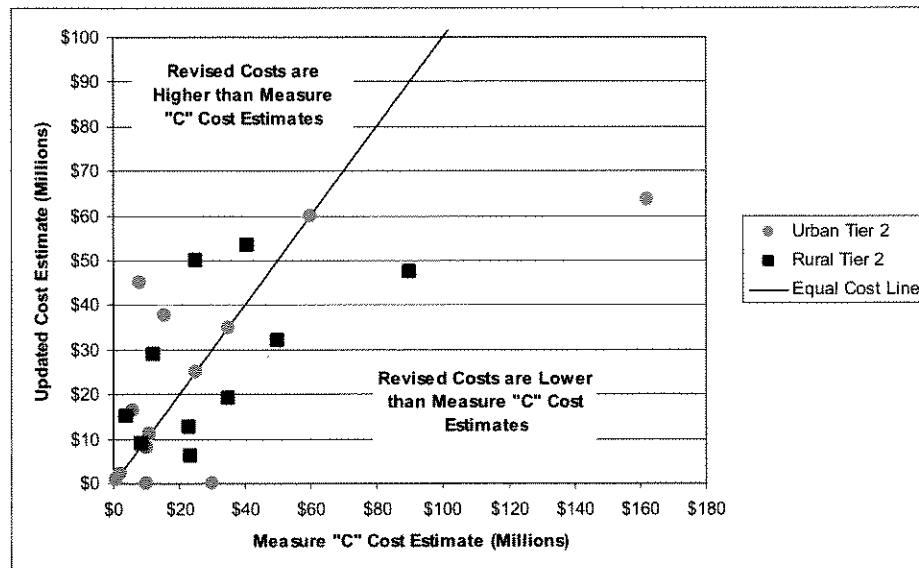


Figure 11: Comparison of Measure "C" and Updated Cost Estimates, Tier 2 Projects

There were many reasons why the costs changed significantly between the time the Measure "C" Extension ballot materials were being prepared and today. Some of the reasons include:

- The cost of construction materials has escalated rapidly in recent years for a variety of reasons including rising land and fuel costs and the effect of a weakening U.S. dollar on the cost of imported construction materials. This can be seen in Figure 12, which shows Caltrans' construction price index for the every year since 1990. Note that prices rose more in 2004 than they did in the previous fifteen years *combined*, followed the next year by a second large price increase. Although prices have since fallen slightly, they are still about double what they were when the original cost estimates were made for most Measure "C" Extension projects.

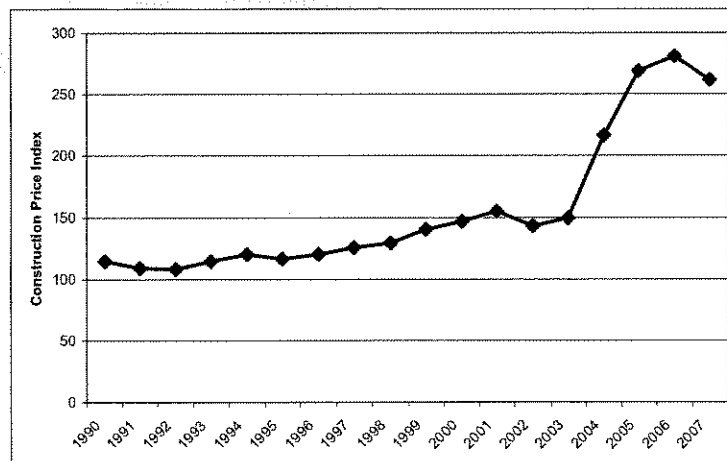


Figure 12: Caltrans Construction Price Index (1987 prices = 100)

- Some of the cost estimates used in the Measure "C" Extension materials appear to have been used by mistake. For example, three totally unrelated projects (California Avenue

widening, the replacement of the North and Cedar Avenue interchanges, and improvements to the American Avenue interchange) are all listed as having identical costs of \$24,984,851. In another example, the \$3 million estimate given for the SR-41 auxiliary lanes between Tulare Street and O Street appears to have come from a budget estimate for a much smaller project to improve the O Street off-ramp that had a similar-sounding name.

- Some projects have moved forward using other funding sources since the Measure "C" Extension ballot materials were prepared, and so the remaining budget request is for less than the original request. For example, the City of Clovis used funds from its own impact fees to implement most of the Shaw Avenue widening project, reducing the funding needed from Measure "C" Extension from \$31.5 million to \$17 million.
- In several cases additional information has come to light that resulted in changes to the project scope. For example, the City of Parlier found that the plan to widen Mendocino Avenue would have been considerably more expensive than originally thought due to the need to remove several commercial gas storage tanks. The City is therefore revising their plan, and instead intends to widen a parallel road, Academy Avenue, to serve the same purpose as the original project. Similarly, for the case of the extension of SR-180 to I-5, the original alignment along Nees Avenue has been dropped in favor of a new alignment with different cost characteristics.
- In other cases the lead agency changed the phasing of a project with consequent changes to costs. For example, SR-180 East Segments IV and V were originally scoped to be 2-lane expressways within a right-of-way capable of accommodating later expansion to a 4-lane facility. Upon reconsideration Caltrans believes that the rapid growth of demand in the area justifies implementing the extension as 4-lanes from the start, especially as the additional cost of doing so is relatively low.

In all cases the approach used in this study was that it is the role of the lead agency, not the consultant, to define or redefine the project. For example, if the lead agency's concept for the project has evolved away from the concept originally used to prepare Measure "C" Extension then there would be little point in basing the costs used for the RTMF on superseded information. Note, however, that this does not mean that the updated costs will be automatically approved for implementation; such a step could only be taken by the Fresno County Transportation Authority (FCTA).

Conclusions Regarding Project Costs

Measure "C" Extension is a long-term program that will require periodic adjustments as the situation evolves over time. The original Measure "C" Extension ballot materials incorporated the best cost information available at the time of their preparation. However, since that time, some projects have dropped out of Measure "C" Extension as funds became available from other sources, other projects have changed in scope, and prices for construction materials and right-of-way have escalated rapidly. The overall estimated cost for the Tier 1 program has risen from about \$534 million in uninflated 2006 dollars to about \$946 million; an increase of 77%. More than half of the increase can be attributed to two projects, namely:

- The largest increase is attributable to the extension of SR-180 west to I-5. The original alignment followed an existing road so much of the right-of-way had already been purchased; while the new alignment would require the purchase of entirely new ROW. The cost increase for this project affects the overall funding situation for Measure "C" Extension but does not directly impact the RTMF because this project does not meet the eligibility requirements for RTMF funding.
- The second-largest increase is attributable to the SR-41/168/180 braided ramps project. As this project moves through its design stages it is becoming clear both that the project

will require more and longer structures than was originally thought and that the materials to be used in these structures have increased in price.

The estimated costs for most Tier 2 projects had a net reduction of 16%, due to the fact that several projects have already been fully or partially implemented using other funding sources. The net reduction is also due in part to the fact that few Tier 2 projects have reached the design stage, where unexpected cost items are most likely to come to light.

5. OTHER (NON-RTMF) SOURCES OF FUNDING

Measure "C" cites three sources of funding for projects, namely the Measure "C" sales tax, the State Transportation Improvement Program (STIP), and the RTMF. This section describes the levels of funding that can be expected from the first two sources so that the size of the expected unfunded portion can be determined. The figures used in this section are all expressed in uninflated 2008 dollars.

Measure "C" Sales Tax

The most important effect of the original Measure "C" was to establish a sales tax that could be used to fund improvements to the transportation system. The sales tax raised \$671 million over the life of the original Measure "C", \$480 million (73.5%) of which was used for capital projects¹¹.

Sales tax revenues grew steadily over the course of the original Measure "C" and are expected to continue to grow during the period of the extension, though a short downturn is expected in the near term due to the current weak condition of the economy (see Figure 13 below). The key difference between the sales tax revenues in the original Measure "C" and the extension, from the perspective of road improvement programs, is that 73.5% of sales tax revenues were available for capital projects during the original measure compared to only 29.4% being made available for road improvements during the period of the measure extension¹². So the transition from Measure "C" to Measure "C" Extension will result in an approximate halving of funds available for major road improvements for this source.

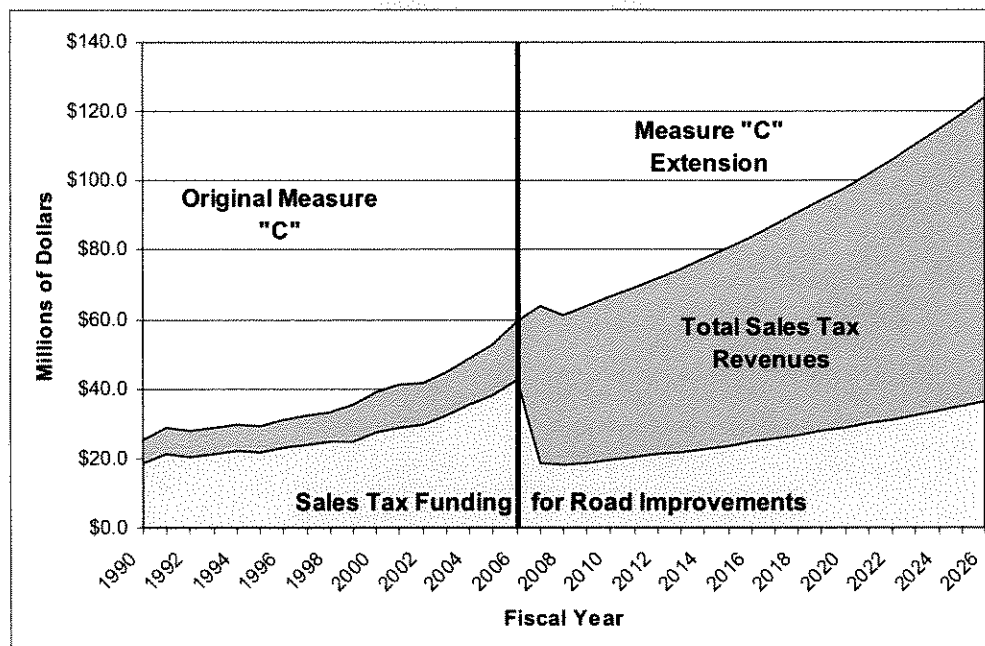


Figure 13: Measure "C" Sale Tax Revenue

¹¹ Another 25.0% was used to support local transportation and the remaining 1.5% was used to cover administrative costs.

¹² Measure "C" Extension also includes funding for public transit and transit-supportive measures, local street maintenance and improvement, bicycle and pedestrian trails, and rail consolidation, and other things.

Based on the most recent estimates it appears that the Measure "C" sales tax will raise approximately \$517 million for road improvements over the life of the extension. In nominal terms this is slightly more than was raised during the original Measure "C", but when the doubling of construction costs are considered the real level of sales tax support for road improvements will be about half of what it was under the original measure.

State Transportation Improvement Program (STIP)

State and federal funds for transportation improvements are channeled through the STIP, which is administered by the California Transportation Commission (CTC). For the purposes of this study there are two key features of the STIP; namely that the CTC allocates a share of statewide funding to Fresno County which FCOG then allocates among individual projects, subject to later review by the CTC, and that STIP funding is difficult to predict and varies widely from year to year depending on the budget situation on the state level.

Table 22 below shows the STIP funds for projects analogous to those in the Tier 1 and Tier 2 lists for the period of the original Measure "C".

Table 22: Original Measure "C" STIP Funding for Road Projects		
Year	Project	STIP Funds (millions)
1990	SR-180: SR-99 to SR-41	\$72.4
1990	SR-180: SR-41 to Chestnut	\$75.9
1992	SR-168: SR-180 to Bullard	\$53.2
1992	SR-41: Audubon to Madera Co. Line	\$18.2
1998	SR-180: Chestnut to Clovis	\$90.2
1999	SR-180: SR-99 to Hughes/West Diagonal	\$39.3
2007	SR-180: Clovis to Temperance	\$11.9
Projected	SR-180: Temperance to Academy	\$25.1

Total for 20-Year Measure Period = \$386.1

Average STIP Funding Per Year = \$19.3

The CTC's current estimate for STIP funding for the first half of the Measure "C" Extension period¹³ is \$16.8 million per year. The Measure "C" Extension ballot materials state that 75% of STIP funds will be made available for Tier 1 projects, which would mean that \$12.6 million per year¹⁴ would be available for the projects relevant to the RTMF study. STIP funding would thus be about 35% less during the Measure "C" Extension period than it was during the period of the original Measure "C"¹⁵ in nominal terms. Moreover, since project costs have approximately doubled in recent years, in terms of purchasing power for road construction the STIP will only provide about one-third of the funding support that it did during the period of the original Measure "C".

¹³ Estimates are not yet available for the second half of the period

¹⁴ 75% of \$16.8 million is \$12.6 million

¹⁵ \$12.6 million is approximately 65% of \$19.3 million

Comparing Project Costs to Funding Available

Taken together, the STIP and the Measure “C” sale tax are expected to generate approximately \$769 million over the course of the Measure “C” extension period¹⁶. This figure is compared to the estimated costs of projects in Table 23 below.

Table 23: STIP and Sales Tax Revenues Compared to Project Costs (millions of dollars)				
Projects Included	Project Costs	STIP & Sales Tax Revenues	Funding Shortfall	Shortfall as % of Project Costs
Tier 1 Only	\$947	\$769	\$178	19%
Tier 1 and FIDS	\$1,066	\$769	\$297	28%
Tier 1, Tier 2, and FIDS	\$1,758	\$769	\$984	56%

The table shows that the STIP and sales tax allocations would cover approximately 80% of the costs of the Tier 1 projects, leaving a shortfall of approximately \$178 million to be funded from other sources. FCOG believes this to be a very conservative estimate of the shortfall since it does not include an allowance for further inflation of project costs; if construction prices continue to rise, the shortfall for Tier 1 projects could be as much as \$500-\$600 million. The clear conclusion is that there will be no surplus of STIP and sales tax allocations for Tier 2 and FIDS projects; if they are to be implemented they would have to be funded entirely from other sources that could include RTMF.

This calculation is intended to provide readers with a context for judging the role of the RTMF as a source of funds for roadway improvements in Fresno County. Readers should note, however, that the maximum fee that can be charged under the RTMF is based solely on the traffic impacts attributable to new development and thus is unrelated to the size of the funding shortfall¹⁷. In other words, if the maximum revenues from the RTMF are insufficient to cover the funding shortfall then the fees cannot be simply factored up to the desired level; by state law the fees cannot go beyond the constraints stipulated in the Mitigation Fee Act. The shortfall would have to be met by some other means, such as finding other sources of funding or seeking to economize on the costs of individual projects.

¹⁶ Assuming that 75% of the STIP and 29.4% of the sale tax revenues are devoted to road improvements, as stated in the Measure “C” Extension ballot materials.

¹⁷ This is true because the shortfall is larger than the amount expected to be raised from the RTMF. Had the shortfall been smaller, then the RTMF would be scaled back to cover only the amount of the shortfall.

6. COMPUTING THE RTMF FEES AND REVENUES

An overview of the methodology used to compute the RTMF is provided in the section below, followed by sections describing the resulting fees and the revenues that would be raised by the RTMF under the different sets of policy options described in the previous chapter.

Overview of the Fee Computation Methodology

The methodology used in the fee computation is outlined in Figure 14 below.

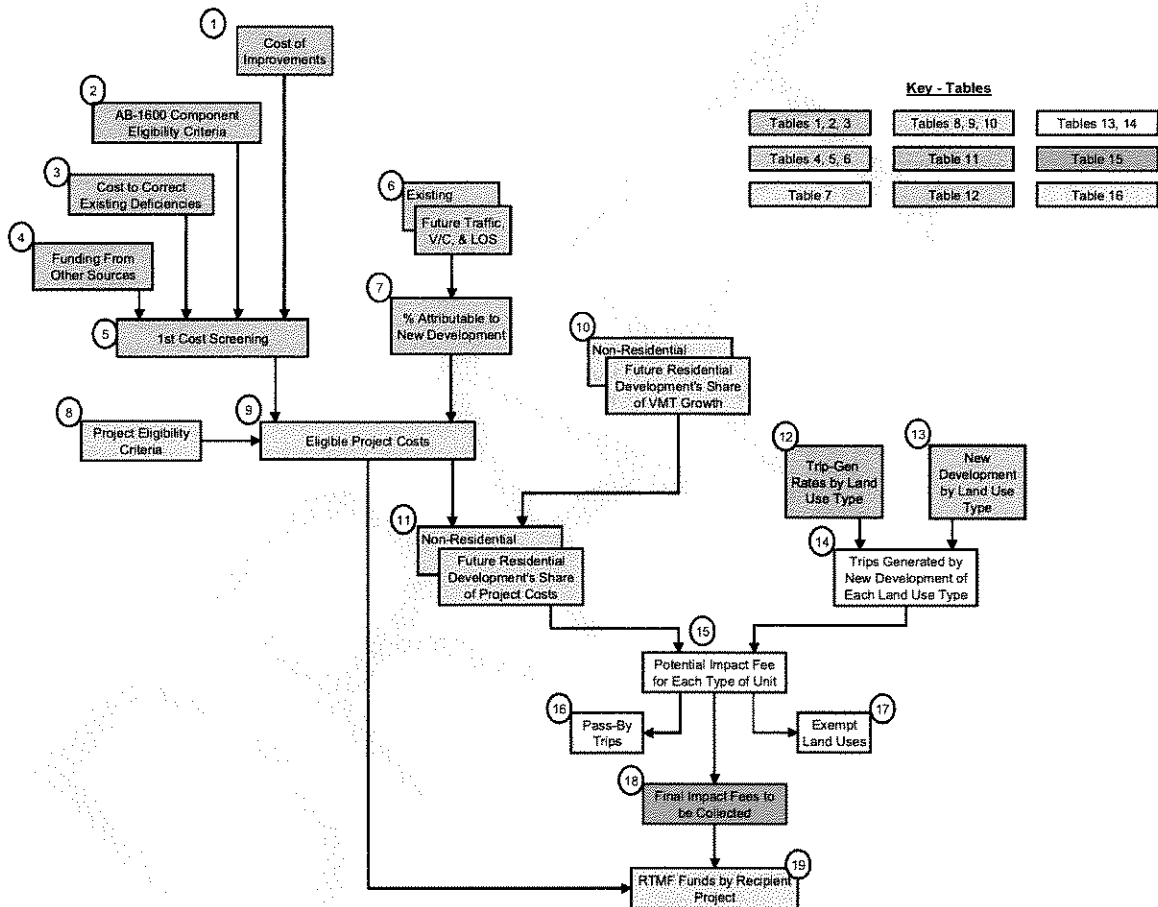


Figure 14: Steps in the Fee Computation

The major steps are described below. The calculations are shown in the appendix and the table numbers refer to tables in the appendix.

- 1) The starting point was the set of revised cost estimates prepared for each project as described in Chapter 4. These are shown in Column A of Tables 1, 2, and 3.
- 2) The costs of certain project components such as beautification work were deducted because they are ineligible by law to receive impact fee revenue. There are only a few of such cases. These are shown in Column B of Tables 1, 2, and 3.

- 3) Next, certain items such as the cost to replace a flooded bridge or the cost to replace a structurally deficient bridge were deducted since the purpose of the project is to correct an existing deficiency. These are shown in Column C of Tables 1, 2, and 3. The Mitigation Fee Act does not permit the use of impact fees to correct existing deficiencies.
- 4) Next, funding from other sources that is expected to be available for the listed projects was deducted from the amount needed from the RTMF, as shown in Column D of Tables 1, 2, and 3.
- 5) The product of the previous four steps was the interim maximum amount of funding that can be sought from the RTMF. These are shown in Column E of Tables 1, 2, and 3. This interim amount was later finalized in Step 8.
- 6) The outputs from the FCOG traffic model were used to determine the volume-to-capacity (V/C) ratio and level-of-service (LOS) for each project under existing and 2030 conditions.
- 7) The change in LOS was used to determine the portion of need for each project that could be attributed to new residential and non-residential development. This is shown in Tables 4, 5, and 6.
- 8) The FCOG and FCTA Boards made policy decisions that only state facilities on the Tier 1 and FIDS lists would be eligible for funding under RTMF.
- 9) The results of Steps 5, 7, and 8 were then combined to determine the portion of each project's cost that could be attributed to new development. This is the maximum amount allowable by law that could potentially be collected using the RTMF. These are shown in Column C of Tables 8, 9, and 10.
- 10) The FCOG traffic model was used to determine the growth in vehicle-miles traveled (VMT) that will be associated with residential and non-residential development. These are shown in Tables 7. For residential land uses the unit of measurement was VMT per day per dwelling unit, while for non-residential uses, trip-generation was measured in terms of VMT per day per job¹⁸.
- 11) The results of Steps 9 and 10 were then combined to determine the portion of each project's cost that could be attributed to new residential and non-residential development. These are shown in Columns I and J of Tables 8, 9, and 10.
- 12) Next, the trip generation rate was determined for each land use type. These are shown in Table 11 for non-residential trips, and in Tables 13 and 14 for residential trips.
- 13) The number of new units of each land use type was taken from the FCOG traffic model. These are shown in Table 12.
- 14) The number of new units for each development type was then multiplied by the trip generation rate to produce the total number of new trips associated with each type of land use development. These are shown in Column C of Tables 13 and 14.
- 15) For residential units, the project costs attributable to residential and non-residential developments (from Step 9) was then divided by the expected number of new trips (from Step 14) to produce the impact fee for each type of unit. This is shown in Column E of Table 13.
- 16) For non-residential trips, a percentage of trips were deducted from the retail land use category to account for pass-by trips. This is shown in Column D of Table 14.

¹⁸ The FCOG traffic model uses units of jobs for most non-residential land uses. This is converted into square feet of new development in a later step.

- 17) The FCOG and FCTA Boards made a policy decision, based on language in Measure "C" Extension, that developments used for education or governmental purposes would be exempt from the RTMF. The fees from these land use types were therefore deducted from the expected RTMF revenues.
- 18) The final RTMF fees per square foot of non-residential development was then computed in Column G of Table 14.
- 19) The FCOG and FCTA Boards made a policy decision that, in light of the severe downturn in the development market occurring at the time that the RTMF was being enacted, the RTMF would be phased in over a period of three years. A benchmark figure of \$1,200 in RTMF fees per single-family dwelling was used for the phase-in, with the other phase-in fees scaled in proportion. The fees for the phase-in period are shown in Columns A and B of Table 15.

The fees for each year were multiplied by the average number of new units expected to be built over the 20-year life of the RTMF to estimate the total amount of RTMF fees generated, as shown in Column H of Table 16. Note that because of the various exemptions and reductions that will be applied to the RTMF, only 57% of the amount theoretically justifiable under the Mitigation Fee Act will be collected.
- 20) The costs attributable to new development, for those projects that met the eligibility requirements, were then factored by the 57% figure from the previous step to determine the amount of RTMF expected for funding individual projects. This is shown in Table 16.

The next sections describe several key steps in the process in more detail.

Trip-Generation Rates by Land Use Type

Trip generation (trip-gen) rates are a key connection between future land development and its expected traffic impacts. FCOG's travel demand model bases its trip-gen equations for residential land uses on the vehicle ownership of the household, with different rates for households with zero, one, and two vehicles. While this approach makes sense for a traffic model, it is impractical to use for an impact fee program because when a new development is proposed the only known quantities are the number of dwellings to be constructed; neither the developer nor the jurisdiction has any way of knowing what the vehicle ownership rates of the future residents will be. A similar situation occurs for non-residential development. The developer and the jurisdiction only know the floor area of the buildings proposed for construction; they have no way of knowing the number of employees who will work in the building (which is likely to vary from year to year in any case). The employee-based trip-gen rates used in the traffic model would thus be awkward to try to use for collecting an impact fee. For these reasons, a different source of information on trip-gen rates is required.

By far the most commonly used reference for trip generation rates in the U.S. is ITE's *Trip Generation*¹⁹ handbook, which was chosen by the PDT as the reference to be used in this study.

Residential and Non-Residential Shares of New Traffic

The amount of traffic generated by a new development is a function of the number of new trips associated with the development and the average length of those trips. Together, these two produce the total vehicle-miles-traveled (VMT) associated with the development.

Outputs from the FCOG Travel Demand Model were used to forecast the growth in VMT for five different types of trips. The growth in VMT from new development was attributed to residential and non-residential developments based on trip type. In this case, the PDT chose to attribute all trips beginning or ending at the traveler's home to the residential land use while all trips not

¹⁹ *Trip Generation 7th Edition*, Institute of Traffic Engineers, 2003

involving a residential location were attributed to non-residential land uses. This approach is consistent with the state of the practice for estimating trip generation as described in NCHRP Report 187²⁰, which is a primary reference for travel estimation techniques used in travel demand modeling. Chapter 2 of the NCHRP report, which details trip generation estimation, states that "HBW (Home Based Work) and HBNW (Home Based Non Work) trips are generated at the households, whereas the NHB (Non-Home Based) trips are generated elsewhere."

Pass-By Trips

Some analyses of traffic impacts provide an allowance for what are termed "pass-by" trips. These are stops at intermediate destinations (coffee shops, gas stations, etc.) that occur in the course of a longer trip taken primarily for some other purpose, such as a home-to-work trip. It could be argued that such trips add little to the overall mileage driven and therefore have only a minor impact on traffic conditions. The PDT chose to use a flat reduction rate of 43% for all retail developments, which was based on the median of measured pass-by rates for the retail uses listed in the ITE Trips Generation Manual (see Table 11).

²⁰ *Quick Response Urban Travel Estimation Techniques and Transferable Parameters User's Guide*, Transportation Research Board, 1978

7. RESULTS

Based on the analysis described above, a nexus was found to exist between the anticipated new development in Fresno County and forecast deficiencies in the regional road network. The projects needed to rectify these deficiencies were identified and the costs of the projects were reviewed for reasonableness and, where necessary, revised. A determination was made as to the share of the costs of these projects that were attributable to new development, and this share was further sub-divided to determine the portion attributable to individual units of new developments of various types.

Over the year-long course of the study numerous policy issues were raised and analyzed. Input was sought and received at more than a dozen public meetings and through web-based correspondence. Based on this input and guidance in Measure "C" ballot language the FCOG and FCTA Boards ultimately approved a plan that:

- Limits the use of RTMF funds to projects for state facilities identified on the Regional Transportation Funding Tier 1 list or in the Freeway Interchange Deficiency Study (FIDS).
- Exempts projects for the development of educational or governmental facilities from paying the fee, and reduces the fee for affordable housing to half of the fee for market-rate housing. Retail developments are to be given a reduction for pass-by trips that are incidental to longer trips that would have occurred anyway.
- Phases in the fee over a three-year period, with reduced fees in 2009 and 2010, and the full fee to take effect in 2011.

The fees adopted by the FCOG and FCTA Boards in October 2008 were as follows:

Table 24: Fees by Year and Land Use Category			
Land Use Category	2009	2010	2011 and thereafter
Residential Developments (\$/dwelling unit)			
Single-Family Dwelling (market-rate)	\$1,200	\$1,450	\$1,727
Single-Family Dwelling (affordable)	\$600	\$725	\$863
Multi-Family Dwelling (market-rate)	\$843	\$1,018	\$1,212
Multi-Family Dwelling (affordable)	\$421	\$509	\$606
Non-Residential Developments (\$/sq.ft.)			
Commercial/Retail	\$1.36	\$1.65	\$1.96
Commercial/Office/Service	\$0.85	\$1.03	\$1.23
Education	Exempt	Exempt	Exempt
Government	Exempt	Exempt	Exempt
Light Industrial	\$0.34	\$0.41	\$0.49
Heavy Industrial	\$0.07	\$0.09	\$0.10
Other Non-Residential	\$0.29	\$0.35	\$0.42

Source: Parsons Brinckerhoff

These fees are expected to contribute the following amounts to individual projects:

Table 25: Expected Distribution of RTMF Funds Among Projects			
Projects Receiving Funds	Total Project Costs	Projected RTMF Funding	% of Total Project Cost
Tier 1			
SR-180 West Seg II	\$5,450,000	\$520,000	10%
SR-41/SR-168/SR-180	\$114,000,000	\$65,223,000	57%
Veteran's Boulevard	\$117,979,000	\$39,102,000	33%
<i>SR-180 East Seg III</i>	\$42,600,000	\$24,373,000	57%
<i>SR-180 East Seg IV</i>	\$46,461,00	\$26,463,000	57%
<i>SR-180 East Seg V</i>	\$59,916,000	\$34,280,000	57%
Freeway Interchange Deficiency Study			
SR99/Belmont	\$6,783,000	\$3,881,000	57%
SR41/Tulare&Divisadero	\$6,838,000	\$3,912,000	57%
SR41/Ashlan	\$5,457,000	\$3,122,000	57%
SR41/Bullard	\$14,107,000	\$8,071,000	57%
SR41/Friant	\$2,751,000	\$1,318,000	48%
SR180/N. Fulton & Van Ness	\$2,500,000	\$1,430,000	57%
SR168/Shaw	\$3,100,000	\$1,774,000	57%
	Total Project Funds	\$213,470,000	
	Administrative Costs (2%)	\$4,360,000	
	Total RTMF Program	\$217,830,000	

8. FUTURE ADJUSTMENTS

The nexus analysis described in this report represents the conditions prevailing at the time of the report's submission. However, conditions can be expected to change over the course of the 20-year time span of the fee program, and so state law requires, and Measure "C" Extension provides guidance for, periodic adjustments to be made to the fee program. The nature of the future adjustments is described below.

Annual and Periodic Adjustments

The Mitigation Fee Act requires that impact fees be subject to periodic review to ensure that the nexus remains valid. Measure "C" Extension reflects this by stipulating that the RTMF be adjusted as follows to reflect new information:

"The RTMF shall be adjusted to reflect actual construction costs every 5 years, but shall be adjusted annually on July 1st to reflect the percentage increase or decrease in the Engineering News Record Index for the California Cities for the twelve (12) month period preceding December of each year."

Adjustments to the Project List

Measure "C" Extension is a long-term program and its framers recognized the need for flexibility to allow the program to evolve as circumstances change. The ballot measure therefore included the following passage:

"Although it is the primary purpose of the RTP-MC funds to augment Tier 1 funding levels, there is recognition that it is difficult to accurately project revenues / expenditures for a 20-year period. Therefore, in the event that additional resources (e.g. federal or state earmarks) are made available to fully fund all of the Tier 1 projects, then it is acknowledged that the Fresno County Transportation Authority (Authority), in consultation with the Council of Fresno County Governments (Fresno COG), will have the flexibility to fund other urban and rural street and road projects contained in the Tier 2 list of regional transportation projects. This would be accomplished through the Expenditure Plan update process, and appropriate Tier 2 list project(s) would be amended into the Tier 1 funded program."

It is uncertain at this time whether the flexibility provided in this passage will ever be used. It is useful to note, though, that Column C in Tables 8 and 9 show Tier 1 and Tier 2 project costs that are attributable to new development that are not included in the RTMF as it is currently structured. So should circumstances arise in which this passage is needed, there are project costs that have already been identified for which a nexus to new development has been shown to exist.

APPENDIX

Details of the Fee Calculation

TABLE 1: ESTIMATED COSTS FOR TIER 1 PROJECTS

	Project ID	Project Name	Updated Cost Estimate	Ineligible Components	Costs Clearly Related to Existing Deficiencies	Funding from Other Sources	Funding Potentially Sought from Measure "C" After 1st Screening
			(A)	(B)	(C)	(D)	(E)=(A)-(B+C+D)
URBAN TIER 1	A	SR-180 East Seg II	\$33,479,701	\$0	\$0	\$33,479,701	\$0
	B	SR-180 West Seg II	\$5,450,000	\$3,483,000	\$0	\$0	\$1,967,000
	C	SR-41/SR-168/SR-180	\$114,000,000	\$0	\$0	\$0	\$114,000,000
	D	Willow Avenue	\$19,656,767	\$0	\$0	\$0	\$19,656,767
	E	Temperance Avenue	\$4,098,477	\$0	\$0	\$0	\$4,098,477
	F	Ventura Boulevard	\$5,000,000	\$0	\$5,000,000	\$0	\$0
	G	SR-99 Monterey Bridge Retrofit	\$1,000,000	\$0	\$1,000,000	\$0	\$0
	H	California Ave Widening	\$12,548,738	\$0	\$0	\$0	\$12,548,738
	I	Peach Ave Widening	\$17,300,000	\$0	\$0	\$0	\$17,300,000
	J	SR-41 Auxiliary Lane	\$11,400,000	\$0	\$0	\$0	\$11,400,000
	K	Hemdon Ave Widening	\$42,200,000	\$0	\$0	\$0	\$42,200,000
	L	Shaw Ave Upgrades	\$17,500,000	\$0	\$0	\$0	\$17,500,000
	M	SR-99 North & Cedar Interchanges	\$81,220,000	\$0	\$0	\$0	\$81,220,000
	N	Veteran's Boulevard	\$117,978,600	\$0	\$0	\$0	\$117,978,600
RURAL TIER 1	A	SR-180 West	\$8,614,915	\$0	\$0	\$0	\$8,614,915
	B	SR-180 East Seg III	\$42,600,000	\$0	\$0	\$0	\$42,600,000
	C	SR-180 East Seg IV	\$46,460,819	\$0	\$0	\$0	\$46,460,819
	D	SR-180 East Seg V	\$59,915,560	\$0	\$0	\$0	\$59,915,560
	E	Friant Road Widening	\$5,900,000	\$0	\$0	\$0	\$5,900,000
	F	Golden State Boulevard	\$34,978,792	\$0	\$34,978,792	\$0	\$0
	G	SR-269 Bridge Improvement	\$16,989,699	\$0	\$16,989,699	\$0	\$0
	H	SR-180 West I5 Extension	\$183,000,000	\$0	\$0	\$0	\$183,000,000
	I	Mountain View Ave Widening	\$25,632,000	\$0	\$0	\$0	\$25,632,000
	J	Mendocino Ave Widening	\$3,350,000	\$0	\$0	\$0	\$3,350,000
	K	SR-99 American Ave Interchange	\$24,300,000	\$0	\$0	\$0	\$24,300,000
	L	I-5/SR-198 Interchange Improvement	\$12,012,000	\$0	\$0	\$0	\$12,012,000
	Total for Tier 1		\$946,586,068	\$3,483,000	\$57,968,491	\$33,479,701	\$851,654,876
	As a percent of total updated estimate			0%	6%	4%	90%

TABLE 2: ESTIMATED COSTS FOR TIER 2 PROJECTS

	Project ID	Project Name	Updated Cost Estimate	Ineligible Components	Costs Clearly Related to Existing Deficiencies	Funding from Other Sources	Funding Potentially Sought from Measure "C" After 1st Screening
			(A)	(B)	(C)	(D)	(E)=(A)-(B+C+D)
URBAN TIER 2	AA	SR-99 Stanislaus & Tuolumne	\$45,000,000	\$0	\$0	\$0	\$45,000,000
	BB	SR-41 O-Street Auxiliary Lanes	\$63,500,000	\$0	\$0	\$0	\$63,500,000
	CC	Friant Road Widening	\$8,100,000	\$0	\$0	\$0	\$8,100,000
	DD	SR-99 Shaw Ave Interchange	\$34,978,792	\$0	\$0	\$0	\$34,978,792
	EE	Traffic Synchronization	\$24,984,851	\$24,984,851	\$0	\$0	\$0
	FF	Hemdon Ave Widening	\$16,411,238	\$0	\$0	\$0	\$16,411,238
	GG	SR-99 Auxiliary Lanes	\$59,963,643	\$0	\$0	\$0	\$59,963,643
	HH	Blackstone Ave Turn Lanes	\$2,200,000	\$0	\$0	\$0	\$2,200,000
	II	SR-99 Shields Ave Overcrossing*	\$59,963,643	\$0	\$0	\$0	\$59,963,643
	JJ	McCall Widening	\$10,993,334	\$0	\$0	\$0	\$10,993,334
	KK	Shepherd Ave Widening	\$37,500,000	\$0	\$0	\$0	\$37,500,000
	LL	SR-41 Auxiliary Lanes	\$0	\$0	\$0	\$0	\$0
	MM	SR-99 Widening	\$29,981,821	\$0	\$0	\$29,981,821	\$0
	NN	Traffic Management Center	\$993,940	\$993,940	\$0	\$0	\$0
	OO	Minnewawa 4-Lane Project	\$17,900,000	\$0	\$0	\$0	\$17,900,000
RURAL TIER 2	AA	SR-99 Central & Chestnut	\$50,000,000	\$0	\$0	\$0	\$50,000,000
	BB	SR-145 Widening	\$12,800,000	\$0	\$0	\$0	\$12,800,000
	CC	SR-33 Widening	\$9,069,501	\$0	\$0	\$0	\$9,069,501
	DD	Academy Parkway*	\$6,100,000	\$0	\$0	\$0	\$6,100,000
	EE	SR-41 Central & American Interchange	\$32,000,000	\$0	\$0	\$0	\$32,000,000
	FF	Millerton Road Widening	\$29,034,327	\$0	\$0	\$0	\$29,034,327
	GG	Manning Ave Widening	\$15,200,000	\$0	\$0	\$0	\$15,200,000
	HH	SR-43 Widening	\$47,500,000	\$0	\$0	\$0	\$47,500,000
	II	McCall Ave Connection*	\$19,100,000	\$0	\$0	\$0	\$19,100,000
	JJ	SR-180 E Seg VI	\$53,267,703	\$0	\$0	\$0	\$53,267,703
	Total for Tier 2		\$686,542,793	\$25,978,791	\$0	\$29,981,821	\$630,582,181
				4%	0%	4%	92%

TABLE 3: ESTIMATED COSTS FOR FREEWAY INTERCHANGE PROJECTS

	Project ID	Project Name	Updated Cost Estimate	Ineligible Components	Costs Clearly Related to Existing Deficiencies	Funding from Other Sources	Funding Potentially Sought from Measure "C" After 1st Screening
			(A)	(B)	(C)	(D)	(E)=(A)-(B+C+D)
PROJECTS IN THE FREEWAY INTERCHANGE DEFICIENCY STUDY	1	SR-99/Mountain View	\$4,524,000	\$0	\$0	\$0	\$4,524,000
	2	SR-99/Floral	\$5,389,750	\$0	\$0	\$0	\$5,389,750
	3	SR-99/Manning	\$11,233,750	\$0	\$0	\$0	\$11,233,750
	4	SR-99/Central	\$6,720,500	\$0	\$0	\$0	\$6,720,500
	5	SR99/Ventura	\$275,000	\$0	\$0	\$0	\$275,000
	6	SR99/Fresno	\$2,500,000	\$0	\$0	\$0	\$2,500,000
	7	SR99/Stanislaus	\$966,500	\$0	\$0	\$0	\$966,500
	8	SR99/Belmont	\$6,793,000	\$0	\$0	\$0	\$6,793,000
	9	SR99/Olive	\$5,930,500	\$0	\$0	\$0	\$5,930,500
	10	SR99/Clinton	\$406,000	\$0	\$0	\$0	\$406,000
	11	SR99/Ashlan	\$6,954,500	\$0	\$0	\$0	\$6,954,500
	12	SR99/Shaw	\$14,532,500	\$0	\$0	\$0	\$14,532,500
	13	SR99/Hemdon	\$2,527,000	\$0	\$0	\$0	\$2,527,000
	14	SR41/Van Ness	\$550,000	\$0	\$0	\$0	\$550,000
	15	SR41/Tulare&Divisadero	\$6,837,500	\$0	\$0	\$0	\$6,837,500
	16	SR41/McKinley	\$4,861,250	\$0	\$0	\$0	\$4,861,250
	17	SR41/Shields	\$7,477,750	\$0	\$0	\$0	\$7,477,750
	18	SR41/Ashlan	\$5,456,750	\$0	\$0	\$0	\$5,456,750
	19	SR41/Shaw	\$6,044,750	\$0	\$0	\$0	\$6,044,750
	20	SR41/Bullard	\$14,107,500	\$0	\$0	\$0	\$14,107,500
	21	SR41/Friant	\$2,751,000	\$0	\$0	\$0	\$2,751,000
	22	SR180/N. Fulton & Van Ness	\$2,500,000	\$0	\$0	\$0	\$2,500,000
	23	SR168/Bullard	\$2,348,500	\$0	\$0	\$0	\$2,348,500
	24	SR168/Shaw	\$3,100,000	\$0	\$0	\$0	\$3,100,000
	Total for FIDS Projects		\$124,778,000	\$0	\$0	\$0	\$124,778,000
				0%	0%	0%	100%

Total Tier 1 Costs \$946,586,068
 Total Tier 2 Costs \$686,542,793
 Total FIDS Costs \$124,778,000
 Total Costs for All Projects \$1,757,906,861 in uninflated 2006 dollars

Total Amount that Could Potentially be Eligible for RTMF \$1,482,237,057 84%
 Amount needed from other sources \$275,669,804 16%
 100%

TABLE 4: V/C RATIO AND LOS FOR TIER 1 PROJECTS

Project ID	Project Name	Existing				Future Without Improvements				% of Deficiency Attributable to New Development (I)=(G-D)/(D-1)
		Volume	Capacity	V/C Ratio	LOS	Volume	Capacity	V/C Ratio	LOS	
		(A)	(B)	(C)=(A)/(B)	(D)	(E)	(F)	(G)=(E)/(F)	(H)	
URBAN TIER 1	A SR-180 East Seg II *	22,500	12,600	1.79	F	32,964	12,600	2.62	F	51%
	B SR-180 West Seg II *	20,091	12,600	1.59	F	26,536	12,600	2.11	F	46%
	C SR-41/SR-168/SR-180	4,865	5,410	0.90	D	7,673	5,410	1.42	F	100%
	D Willow Avenue	11,615	15,400	0.77	D	27,758	15,400	1.80	F	100%
	E Temperance Avenue	12,229	15,400	0.79	D	23,755	15,400	1.54	F	100%
	F Ventura Boulevard	20,619	31,100	0.67	C or better	32,072	31,100	1.03	E	100%
	G SR-99 Monterey Bridge Retrofit	9,331	15,300	0.61	C or better	15,323	15,300	1.01	E	100%
	H California Ave Widening	17,612	12,600	0.54	D	16,077	12,600	1.28	F	100%
	I SR-41 Auxiliary Lane	6,811	12,600	1.40	F	22,145	12,600	1.76	F	47%
	J Hemdon Ave Widening	53,803	105,800	0.51	C or better	73,704	105,800	0.70	C or better	No Deficiency
	K Shaw Ave Upgrades	29,485	44,700	0.66	D	48,879	44,700	1.09	E	100%
	L SR-99 North & Cedar Interchanges	18,759	14,600	1.28	F	33,399	14,600	2.29	F	78%
	M SR-99 North & Cedar Interchanges	211	1,275	0.17	C or better	823	1,275	0.65	C or better	No Deficiency
	N Veteran's Boulevard *	29,485	15,400	1.91	F	48,879	15,400	3.17	F	58%
RURAL TIER 1	A SR-180 West	8,506	13,700	0.62	D	13,538	13,700	0.98	D	No Deficiency
	B SR-180 East Seg III	13,080	13,700	0.95	D	35,946	13,700	2.62	F	100%
	C SR-180 East Seg IV	13,721	13,700	1.00	E	18,408	13,700	1.34	E	100%
	D SR-180 East Seg V	13,110	13,700	0.96	D	17,896	13,700	1.31	E	100%
	E Friant Road Widening	12,711	52,400	0.24	C or better	20,269	52,400	0.39	C or better	No Deficiency
	F Golden State Boulevard	5,289	29,400	0.18	C or better	13,713	29,400	0.47	C or better	No Deficiency
	G SR-269 Bridge Improvement	7,832	13,700	0.57	C or better	12,311	13,700	0.90	D	No Deficiency
	H SR-180 West IS Extension	4,754	13,700	0.35	C or better	7,850	13,700	0.57	C or better	No Deficiency
	I Mountain View Ave Widening	9,353	13,700	0.68	D	17,247	13,700	1.26	E	100%
	J Mendocino Ave Widening	3,030	13,700	0.22	C or better	4,140	13,700	0.30	C or better	No Deficiency
	K SR-99 American Ave Interchange	194	1,275	0.15	C or better	642	1,275	0.50	C or better	No Deficiency
	L I-5/SR-198 Interchange Improvement	210	1,275	0.17	C or better	360	1,275	0.28	C or better	No Deficiency

TABLE 5: V/C RATIO AND LOS FOR TIER 2 PROJECTS

Project ID	Project Name	Existing				Future Without Improvements				% of Deficiency Attributable to New Development (I)=(G-D)/(D-1)
		Volume	Capacity	V/C Ratio	LOS	Volume	Capacity	V/C Ratio	LOS	
		(A)	(B)	(C)=(A)/(B)	(D)	(E)	(F)	(G)=(E)/(F)	(H)	
URBAN TIER 2	AA SR-99 Stanislaus & Tuolumne	806	1,275	0.63	C or better	1,401	1,275	1.10	E	100%
	BB SR-41 O-Street Auxiliary Lanes	25,591	105,800	0.24	C or better	32,857	105,800	0.31	C or better	No Deficiency
	CC Friant Road Widening	27,217	32,700	0.83	D	36,349	32,700	1.11	F	100%
	DD SR-99 Shaw Ave Interchange	6,154	12,600	0.49	D	12,215	12,600	0.97	D	No Deficiency
	EE Traffic Synchronization	-	-	-	-	-	-	-	-	Not Computable
	FF Hemdon Ave Widening	5,949	15,400	0.39	C or better	13,419	15,400	0.87	D	No Deficiency
	GG SR-99 Auxiliary Lanes	64,406	105,800	0.61	C or better	91,163	105,800	0.86	D	No Deficiency
	HH Blackstone Ave Turn Lanes	44,061	32,700	1.35	F	47,898	32,700	1.47	F	25%
	I SR-99 Shields Ave Overcrossing*	7,185	32,700	0.22	C or better	14,865	32,700	0.45	C or better	No Deficiency
	JJ McCall Widening	5,334	49,200	0.12	C or better	14,826	49,200	0.30	C or better	No Deficiency
	KK SR-41 Auxiliary Lanes	8,384	32,700	0.26	C or better	19,853	32,700	0.61	C or better	No Deficiency
	LL SR-99 Widening	72,613	105,800	0.69	C or better	87,154	105,800	0.82	D	No Deficiency
	MM SR-99 Widening	35,328	67,200	0.53	C or better	56,707	67,200	0.84	D	No Deficiency
	NN Traffic Management Center	-	-	-	-	-	-	-	-	Not Computable
	OO Minnewawa 4-Lane Project	10,951	15,400	0.71	C or better	24,776	15,400	1.61	F	100%
RURAL TIER 2	AA SR-99 Central & Chestnut	553	660	0.84	D	937	660	1.42	F	100%
	BB SR-145 Widening	9,169	15,400	0.60	C or better	12,975	15,400	0.84	D	No Deficiency
	CC SR-33 Widening	6,826	15,400	0.44	C or better	11,159	15,400	0.72	C or better	No Deficiency
	DD Academy Parkway*	4,348	10,700	0.41	C or better	7,368	10,700	0.69	C or better	No Deficiency
	EE SR-41 Central & American Interchange	297	660	0.45	D	930	660	1.41	F	100%
	FF Millerton Road Widening	8,581	13,700	0.63	D	10,844	13,700	0.79	D	No Deficiency
	GG Manning Ave Widening	9,336	13,700	0.68	D	12,853	13,700	0.94	D	No Deficiency
	HH SR-43 Widening	13,142	13,700	0.96	D	19,331	13,700	1.41	E	100%
	I McCall Ave Connection*	2,367	13,900	0.17	C or better	10,130	13,900	0.73	C or better	No Deficiency
	JJ SR-180 E Seg VI	12,883	13,700	0.94	D	17,604	13,700	1.28	E	100%

TABLE 6: V/C RATIO AND LOS FOR FREEWAY INTERCHANGE PROJECTS

Project ID	Project Name	Existing				Future Without Improvements				% of Deficiency Attributable to New Development (I)=(G-D)/(D-1)
		Volume	Capacity	V/C Ratio	LOS	Volume	Capacity	V/C Ratio	LOS	
		(A)	(B)	(C)=(A)/(B)	(D)	(E)	(F)	(G)=(E)/(F)	(H)	
PROJECTS IN THE FREEWAY INTERCHANGE DEFICIENCY STUDY	1 SR-99/Mountain View	430	1,275	0.34	C or better	604	1,275	0.47	C or better	No Deficiency
	2 SR-99/Fioral	292	1,275	0.23	C or better	312	1,275	0.24	C or better	No Deficiency
	3 SR-99/Manning	348	1,275	0.27	C or better	618	1,275	0.49	C or better	No Deficiency
	4 SR-99/Central	552	1,275	0.43	C or better	410	1,275	0.32	C or better	No Deficiency
	5 SR-99/Ventura	560	1,275	0.44	C or better	1,098	1,275	0.86	C or better	No Deficiency
	6 SR-99/Fresno	711	1,275	0.56	C or better	1,164	1,275	0.91	D	No Deficiency
	7 SR-99/Stanislaus	274	1,275	0.21	C or better	910	1,275	0.71	C or better	No Deficiency
	8 SR-99/Belmont	915	1,275	0.72	C or better	1,447	1,275	1.14	F	100%
	9 SR-99/Olive	157	1,275	0.12	C or better	994	1,275	0.78	C or better	No Deficiency
	10 SR-99/Clinton	749	1,275	0.59	C or better	1,120	1,275	0.88	C or better	No Deficiency
	11 SR-99/Ashlan	1,034	1,275	0.81	C or better	1,154	1,275	0.91	D	No Deficiency
	12 SR-99/Shaw	567	1,275	0.44	C or better	906	1,275	0.71	C or better	No Deficiency
	13 SR-99/Hemdon	333	1,275	0.26	C or better	722	1,275	0.57	C or better	No Deficiency
	14 SR-41/Van Ness	456	1,275	0.36	C or better	654	1,275	0.67	C or better	No Deficiency
	15 SR-41/Tulare & Divisadero	985	1,275	0.77	C or better	1,478	1,275	1.16	F	100%
	16 SR-41/McKinley	827	1,275	0.65	C or better	983	1,275	0.77	C or better	No Deficiency
	17 SR-41/Sheila	746	1,275	0.59	C or better	1,070	1,275	0.84	C or better	No Deficiency
	18 SR-41/Ashlan	634	1,275	0.65	C or better	1,353	1,275	1.06	E	100%
	19 SR-41/Shaw	722	1,275	0.57	C or better	1,269	1,275	1.00	D	No Deficiency
	20 SR-41/Bulard	813	1,275	0.64	C or better	1,522	1,275	1.19	F	100%
	21 SR-41/Friant	1,096	1,050	1.04	E	1,333	1,050	1.27	F	84%
	22 SR-180/N. Fulton & Van Ness	864	1,275	0.68	C or better	1,322	1,275	1.04	E	100%
	23 SR-168/Bulard	202	1,050	0.19	C or better	817	1,050	0.78	C or better	No Deficiency
	24 SR-168/Shaw	557	1,050	0.53	C or better	1,070	1,050	1.02	E	100%

Notes:

* V/C Ratio of existing facilities that currently serve this function

Italicized values in the Volume and Capacity columns are for the peak-hour; non-italicized are daily values

Shaded cells in LOS columns indicate that the facility does not meet FCOG's LOS standard of "D" or better

TABLE 7: PERCENTAGE OF VMT GROWTH ATTRIBUTABLE TO RESIDENTAL DEVELOPMENT

Trip Purpose	2007 Vehicle Miles		2030 Vehicle Miles		Trip End Attribution*		Growth in VMT	
	Traveled		Traveled		Residential	Non-Res	Residential	Non-Res
	(A)		(B)		(C)	(D)	(E) = (A-B) * (C)	(F) = (A-B) * (D)
Home-Work VMT	5,824,570	25%	9,312,158	24%	2.0	0.0	6,975,177	-
Home-Shop VMT	2,465,152	10%	4,151,433	11%	2.0	0.0	3,372,562	-
Home-Other VMT	6,702,090	28%	11,038,334	28%	2.0	0.0	8,672,487	-
Other-Work VMT	2,300,702	10%	3,804,637	10%	0.0	2.0	-	3,007,870
Other-Other VMT	6,409,288	27%	10,709,570	27%	0.0	2.0	-	8,600,565
Total Vehicle Trips	23,701,802	100%	39,016,133	100%			19,020,227	11,608,434
							62%	38%

* Each trip has two ends, the origin end and the destination end. RTMF policy, based on National Cooperative Highway Research Program Report 187, is to allocate both ends of any trip involving a residence to the residence

TABLE 8: TIER 1 PROJECT COSTS POTENTIALLY ATTRIBUTABLE TO NEW DEVELOPMENT

	Project ID	Project Name	% of Deficiency Attributable to New Development	RTMF-Eligible Costs	RTMF-Eligible Costs Attributable to New Development	Project Eligibility Policies		Final Computation of RTMF-Eligible Costs*	% Attributable to		Eligible Attributable to:	
			(A)	(B)	(C) = (A) * (B)	State Facility?	Tier 1 or FIS?	(F)	Residential Trips	Non-Res Trips	New Residential Development	New Non- Residential Development
			(from Table 4)	(from Table 1)	(C) = (A) * (B)	(D)	(E)	(F)	(from Table 8)	(from Table 8)	(I) = (F) * (G)	(J) = (F) * (H)
URBAN TIER 1	A	SR-180 East Seg II	51%	\$0	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	B	SR-180 West Seg II	46%	\$1,967,000	\$909,681	Yes	Yes	\$909,681	62%	38%	\$564,907	\$344,774
	C	SR-41/SR-168/SR-180	100%	\$114,000,000	\$114,000,000	Yes	Yes	\$114,000,000	62%	38%	\$70,793,361	\$43,206,639
	D	Willow Avenue	100%	\$19,656,767	\$19,656,767	No	Yes	\$0	62%	38%	\$0	\$0
	E	Temperance Avenue	100%	\$4,098,477	\$4,098,477	No	Yes	\$0	62%	38%	\$0	\$0
	F	Ventura Boulevard	100%	\$0	\$0	No	Yes	\$0	62%	38%	\$0	\$0
	G	SR-99 Monterey Bridge Retrofit	100%	\$0	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	H	California Ave Widening	100%	\$12,548,738	\$12,548,738	No	Yes	\$0	62%	38%	\$0	\$0
	I	Peach Ave Widening	47%	\$17,306,000	\$8,215,914	No	Yes	\$0	62%	38%	\$0	\$0
	J	SR-41 Auxiliary Lane	No Deficiency	\$11,400,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	K	Herndon Ave Widening	100%	\$42,200,000	\$42,200,000	No	Yes	\$0	62%	38%	\$0	\$0
	L	Shaw Ave Upgrades	78%	\$17,500,000	\$13,629,384	No	Yes	\$0	62%	38%	\$0	\$0
	M	SR-99 North & Cedar Ave Interchanges	No Deficiency	\$81,220,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	N	Veteran's Boulevard	58%	\$117,578,600	\$68,343,647	Yes	Yes	\$68,343,647	62%	38%	\$42,441,022	\$25,902,625
RURAL TIER 1	A	SR-180 West	No Deficiency	\$8,614,915	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	B	SR-180 East Seg III	100%	\$42,600,000	\$42,600,000	Yes	Yes	\$42,600,000	62%	38%	\$26,454,361	\$16,145,639
	C	SR-180 East Seg IV	100%	\$46,460,819	\$46,263,581	Yes	Yes	\$46,263,581	62%	38%	\$28,723,215	\$17,530,366
	D	SR-180 East Seg V	100%	\$59,915,560	\$59,915,560	Yes	Yes	\$59,915,560	62%	38%	\$37,207,227	\$22,708,333
	E	Front Road Widening	No Deficiency	\$5,900,000	\$0	No	Yes	\$0	62%	38%	\$0	\$0
	F	Golden State Boulevard	No Deficiency	\$0	\$0	No	Yes	\$0	62%	38%	\$0	\$0
	G	SR-269 Bridge Improvement	No Deficiency	\$0	\$0	No	Yes	\$0	62%	38%	\$0	\$0
	H	SR-180 West I5 Extension	No Deficiency	\$183,000,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	I	Mountain View Ave Widening	100%	\$25,632,000	\$25,632,000	No	Yes	\$0	62%	38%	\$0	\$0
	J	Mendocino Ave Widening	No Deficiency	\$3,350,000	\$0	No	Yes	\$0	62%	38%	\$0	\$0
	K	SR-99 American Ave Interchange	No Deficiency	\$24,300,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	L	I-5 Interchange Improvement	No Deficiency	\$21,012,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
				\$851,654,876	\$458,002,755	54% < (% of B Total)		\$332,022,481	36% < (% of B Total)		\$206,184,093	\$125,838,378

* Project must meet both project eligibility criteria (have a "Yes" in columns D and E) in order for the costs to be eligible

TABLE 9: TIER 2 PROJECT COSTS POTENTIALLY ATTRIBUTABLE TO NEW DEVELOPMENT

	Project ID	Project Name	% of Deficiency Attributable to New Development	RTMF-Eligible Costs	RTMF-Eligible Costs Attributable to New Development	Project Eligibility Policies		Final Computation of RTMF-Eligible Costs*	% Attributable to		Eligible Attributable to:	
			(A)	(B)	(C) = (A) * (B)	State Facility?	Tier 1 or FIS?	(F)	Residential Trips	Non-Res Trips	New Residential Development	New Non- Residential Development
			(from Table 5)	(from Table 2)	(C) = (A) * (B)	(D)	(E)	(F)	(from Table 8)	(from Table 8)	(I) = (F) * (G)	(J) = (F) * (H)
URBAN TIER 2	AA	SR-99 Stanislaus & Tuolumne	100%	\$45,000,000	\$45,000,000	Yes	No	\$0	62%	38%	\$0	\$0
	BB	SR-41 O Street Ramps	No Deficiency	\$63,500,000	\$0	No	No	\$0	62%	38%	\$0	\$0
	CC	Front Road Widening	100%	\$8,100,000	\$8,100,000	No	No	\$0	62%	38%	\$0	\$0
	DD	SR-99 Shaw Ave Interchange	No Deficiency	\$34,978,792	\$0	Yes	No	\$0	62%	38%	\$0	\$0
	EE	Traffic Synchronization	Not Computable	\$0	\$0	No	No	\$0	62%	38%	\$0	\$0
	FF	Herndon Ave Widening	No Deficiency	\$16,411,238	\$0	No	No	\$0	62%	38%	\$0	\$0
	GG	SR-99 Auxiliary Lanes	No Deficiency	\$59,963,643	\$0	Yes	No	\$0	62%	38%	\$0	\$0
	HH	Blackstone Ave Turn Lanes	26%	\$2,200,000	\$568,179	No	No	\$0	62%	38%	\$0	\$0
	II	SR-99 Shields Ave Overcrossing*	No Deficiency	\$59,963,643	\$0	No	No	\$0	62%	38%	\$0	\$0
	JJ	McCall Widening	No Deficiency	\$10,993,334	\$0	No	No	\$0	62%	38%	\$0	\$0
	KK	Shepherd Ave Widening	No Deficiency	\$37,600,000	\$0	No	No	\$0	62%	38%	\$0	\$0
	LL	SR-41 Auxiliary Lanes	No Deficiency	\$0	\$0	Yes	No	\$0	62%	38%	\$0	\$0
	MM	SR-99 Widening	No Deficiency	\$0	\$0	Yes	No	\$0	62%	38%	\$0	\$0
	NN	Traffic Management Center	No Deficiency	\$0	\$0	No	No	\$0	62%	38%	\$0	\$0
RURAL TIER 2	OO	Minnesota 4 Lane Project	100%	\$17,900,000	\$17,900,000	No	No	\$0	62%	38%	\$0	\$0
	AA	SR-99 Central & Chestnut	100%	\$50,000,000	\$50,000,000	Yes	No	\$0	62%	38%	\$0	\$0
	BB	SR-145 Widening	No Deficiency	\$12,800,000	\$0	Yes	No	\$0	62%	38%	\$0	\$0
	CC	SR-33 Widening	No Deficiency	\$9,069,501	\$0	Yes	No	\$0	62%	38%	\$0	\$0
	DD	Academy Parkway*	No Deficiency	\$8,100,000	\$0	No	No	\$0	62%	38%	\$0	\$0
	EE	SR-41 Central & American Interchange	100%	\$32,000,000	\$32,000,000	Yes	No	\$0	62%	38%	\$0	\$0
	FF	Melton Road Widening	No Deficiency	\$29,034,327	\$0	No	No	\$0	62%	38%	\$0	\$0
	GG	Manning Ave Widening	No Deficiency	\$15,200,000	\$0	No	No	\$0	62%	38%	\$0	\$0
	HH	SR-43 Widening	100%	\$47,500,000	\$47,500,000	Yes	No	\$0	62%	38%	\$0	\$0
	II	McCall Ave Connection*	No Deficiency	\$19,100,000	\$0	No	No	\$0	62%	38%	\$0	\$0
	JJ	SR-180 E Seg VI	100%	\$53,267,703	\$53,267,703	Yes	No	\$0	62%	38%	\$0	\$0
				\$630,582,181	\$264,333,882	40% < (% of B Total)		\$0	0% < (% of B Total)		\$0	\$0

* Project must meet both project eligibility criteria (have a "Yes" in columns D and E) in order for the costs to be eligible

TABLE 10: FREEWAY INTERCHANGE PROJECT COSTS POTENTIALLY ATTRIBUTABLE TO NEW DEVELOPMENT

	Project ID	Project Name	% of Deficiency Attributable to New Development	RTMF-Eligible Costs	RTMF-Eligible Costs Attributable to New Development	Project Eligibility Policies		Final Computation of RTMF-Eligible Costs*	% Attributable to		Eligible Attributable to:	
			(A)	(B)	(C) = (A) * (B)	State Facility?	Tier 1 or FIS?	(F)	Residential Trips	Non-Res Trips	New Residential Development	New Non- Residential Development
			(from Table 6)	(from Table 3)	(C) = (A) * (B)	(D)	(E)	(F)	(from Table 8)	(from Table 8)	(I) = (F) * (G)	(J) = (F) * (H)
PROJECTS IN THE FREEWAY INTERCHANGE STUDY	1	SR-99/Mountain View	No Deficiency	\$4,524,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	2	SR-99/Floral	No Deficiency	\$5,389,750	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	3	SR-99/Manning	No Deficiency	\$11,233,750	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	4	SR-99/Central	No Deficiency	\$6,720,500	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	5	SR99/Ventura	No Deficiency	\$275,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	6	SR99/Fresno	No Deficiency	\$2,500,600	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	7	SR99/Stanslaus	No Deficiency	\$966,500	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	8	SR99/Seimont	100%	\$6,783,000	\$6,783,000	Yes	Yes	\$6,783,000	62%	38%	\$4,212,205	\$2,570,795
	9	SR99/Olive	No Deficiency	\$6,530,500	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	10	SR99/Clinton	No Deficiency	\$406,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	11	SR99/Arrian	No Deficiency	\$6,554,500	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	12	SR99/Shaw	No Deficiency	\$14,532,500	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	13	SR99/Herndon	No Deficiency	\$2,527,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	14	SR41/Van Ness	No Deficiency	\$650,000	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	15	SR41/Tulare/Divisadero	100%	\$6,837,500	\$6,837,500	Yes	Yes	\$6,837,500	62%	38%	\$4,246,049	\$2,591,451
	16	SR41/McKinley	No Deficiency	\$4,851,250	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	17	SR41/Shields	No Deficiency	\$7,477,750	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	18	SR41/Arrian	100%	\$5,456,750	\$5,456,750	Yes	Yes	\$5,456,750	62%	38%	\$3,388,811	\$2,068,139
	19	SR41/Shaw	No Deficiency	\$6,044,750	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	20	SR41/Bulard	100%	\$14,107,500	\$14,107,500	Yes	Yes	\$14,107,500	62%	38%	\$8,760,578	\$5,346,922
	21	SR41/Front	84%	\$2,751,000	\$2,363,625	Yes	Yes	\$2,363,625	62%	38%	\$1,430,476	\$873,649
	22	SR180N/ Fulton & Van Ness	100%	\$2,500,000	\$2,500,000	Yes	Yes	\$2,500,000	62%	38%	\$1,552,486	\$947,514
	23	SR168/Bulard	No Deficiency	\$2,348,500	\$0	Yes	Yes	\$0	62%	38%	\$0	\$0
	24	SR168/Shaw	100%	\$3,100,000	\$3,100,000	Yes	Yes	\$3,100,000	62%	38%	\$1,925,083	\$1,174,917
				\$124,778,000	\$47,088,275	33% < (% of B Total)		\$47,088,275	33% < (% of B Total)		\$29,515,588	\$17,572,688

* Project must meet both project eligibility criteria (have a "Yes" in columns D and E) in order for the costs to be eligible

TABLE 11: CALCULATION OF BLENDED TRIP GENERATION RATES

Land Use Category	ITE Reference	Weekday Trips per KSF*	Weekday Trips per Employee*	Square Feet per Employee	PM Peak Pass-by Trips**
Retail					
Building Materials and Lumber	812	45.16	32.12		
Discount Superstore	813	49.21			28%
Specialty Retail Center	814	44.32	22.36		
Discount Store	815	56.02	28.84		17%
Hardware Store	816	51.29	53.21		26%
Nursery (Garden Center)	817	36.08	22.13		
Shopping Center	820	42.94			34%
Factory Outlet Center	823	26.59			
New Car Sales	841	33.34	21.14		
Auto Parts Store	843	61.91			43%
Tire Store	848	24.87			28%
Supermarket	850	102.24	87.82		36%
Convenience Market	851	737.99			61%
Convenience Market with Fuel Pumps	853	845.60			63%
Discount Supermarket	854	96.82			23%
Discount Club	861	41.80	32.21		
Home Improvement Superstore	862	29.80			48%
Electronics Superstore	863	45.04			40%
Pharmacy with Drive Through	881	88.16			49%
Furniture Store	890	5.06	12.19		53%
Quality Restaurant	931	89.95			44%
High Turnover (Sit-Down) Restaurant	932	127.15			43%
Fast Food Restaurant with Drive Through	934	496.12			49%
Median		49.21	28.84	586	43%
Service					
Hospital	610	17.57	5.20		
Clinic	630	31.45	7.75		
General Office	710	11.01	3.32		
Medical-Dentist Office Building	720	36.13	8.91		
Office Park	750	11.42	3.50		
Business Park	770	12.76	4.04		
Walk-in Bank	911	21.49			
Median		17.57	4.62	263	
Government/Public Sector					
Government Office Building	730	68.93	11.95		
Education					
Elementary School	520		15.71		
High School	530		19.74		
University/College	550		9.13		
Median			15.71		
Other					
General Light Industry	110	6.97	3.02	433	
General Heavy Industry	120	1.50	0.82	547	
Truck Terminal	30	9.85	6.99		
Industrial Park	130	6.96	3.34		
Manufacturing	140	3.82	2.13		
Warehousing	150	4.96	3.89		
Median		5.96	3.18	534	

Notes:

* Average weekday daily trip generation data derived from ITE Trip Generation (Seventh Edition), 2003

** Average weekday PM peak pass-by trip rates derived from ITE Trip Generation Handbook, June 2004

TABLE 12: COMPUTATION OF NUMBER OF NEW UNITS

Land Use Category	Unit	2007 (A)	2030 (B)	# of New Units (C)=(B)-(A)	Average New Units/Year (D) = (C) / 20 years
Single-Family Dwellings (market rate)	Dwelling Unit	171,962	264,932	92,971	4,649
Single-Family Dwellings (affordable)*	Dwelling Unit	14,953	23,038	8,084	404
Multi-Family Dwellings (market rate)	Dwelling Unit	81,508	128,435	46,926	2,346
Multi-Family Dwellings (affordable)*	Dwelling Unit	7,088	11,168	4,081	204
Commercial/Retail	Employee	51,887	83,340	31,453	1,573
Commercial/Office/Service	Employee	83,501	156,069	72,568	3,628
Government	Employee	35,540	54,692	19,052	953
Education	Employee	33,871	60,567	26,696	1,335
Light Industrial	Employee	15,036	20,427	5,391	270
Heavy Industrial	Employee	30,072	40,854	10,782	539
Other Non-Residential	Employee	105,253	142,989	37,736	1,887

* per information provided by Fresno COG, 8% of new housing is to be considered affordable

TABLE 13: COMPUTATION OF RTMF FOR RESIDENTIAL DEVELOPMENTS

Land Use Category	Number of New Dwelling Units (A)	Trip-Gen Rate (B)	Total Trips Generated (C)	Fee Per New Dwelling Unit (E)=(B)*Cost/Trip
Single-Family Dwellings (market rate)	92,971	9.57	889,729	\$1,727
Single-Family Dwellings (affordable)	8,084	9.57	77,368	\$863
Multi-Family Dwellings (market rate)	46,926	6.72	315,346	\$1,212
Multi-Family Dwellings (affordable)	4,081	6.72	27,421	\$606

Total of New Residential Trips > 1,309,863
 Costs Attribution to New Residential Trips (from Tables 8, 9, 10) > \$231,699,682
 Administrative Costs for RTMF > 2%
 Cost per New Residential Trip = \$180

50% Percent discount given to affordable housing as specified in Appendix D of Measure "C"

TABLE 14: COMPUTATION OF RTMF FOR NON-RESIDENTIAL DEVELOPMENTS

Land Use Category	Number of New Employees (A)	Trip-Gen Rate (B)	Total Trips Generated (C)	Pass-By Reduction (D)	Fee Per New Employee (E)=(B)*Cost/Trip*(1-D)	Square Feet/ Employee (F)	Fee/ Square Foot (G) = (E)/(F)
Commercial/Retail	31,453	28.84	907,105	43%	\$1,165	586	\$1.98
Commercial/Office/Service	72,568	4.62	335,264		\$328	263	\$1.25
Government	19,052	11.95	227,671		Exempt	Exempt	Exempt
Education	26,696	15.71	419,394		Exempt	Exempt	Exempt
Light Industrial	5,391	3.02	16,280		\$214	433	\$0.49
Heavy Industrial	10,782	0.82	8,841		\$58	547	\$0.11
Other Non-Residential	37,736	3.18	119,999		\$225	534	\$0.42

Total of New Non-Residential Trips > 2,034,555
 Costs Attribution to New Non-Residential Trips (from Tables 8, 9, 10) > \$141,411,082
 Administrative Costs for RTMF > 2%
 Cost per New Non-Residential Trip = \$71

TABLE 15: FEES AS APPROVED AND ESTIMATED RTMF REVENUES

Land Use Category	2009* (A)	2010* (B)	2011 and thereafter (C) from Tables 13 & 14	Average New Units/Year (D) from Table 12	Fees Generated in 2009** (E)=(A)*(D)/2	Fees Generated in 2010 (F)=(B)*(D)	Fees Generated in 2011-2028 (G)=(C)*(D)*18	Total Fees Generated 2009- 2028 (H)=(E)+(F)+(G)
Residential Developments (\$/dwelling unit)								
Single-Family Dwelling (market-rate)	\$1,200	\$1,450	\$1,727	4,649	\$2,789,118	\$6,740,369	\$144,477,323	\$154,006,809
Single-Family Dwelling (affordable)	\$600	\$725	\$863	404	\$121,266	\$293,060	\$6,281,623	\$6,695,948
Multi-Family Dwelling (market-rate)	\$843	\$1,018	\$1,212	2,346	\$988,544	\$2,388,982	\$51,206,960	\$54,584,487
Multi-Family Dwelling (affordable)	\$421	\$509	\$606	204	\$42,980	\$103,869	\$2,226,390	\$2,373,239
Non-Residential Developments (\$/sq.ft.)								
Commercial/Retail	\$1.38	\$1.67	\$1.99	1,573	\$1,087	\$2,628	\$56,292	\$60,005
Commercial/Office/Service	\$0.87	\$1.05	\$1.25	3,628	\$1,571	\$3,795	\$81,353	\$86,719
Education	Exempt	Exempt	Exempt	953	\$0	\$0	\$0	\$0
Government	Exempt	Exempt	Exempt	1,335	\$0	\$0	\$0	\$0
Light Industrial	\$0.34	\$0.41	\$0.49	270	\$46	\$112	\$2,397	\$2,556
Heavy Industrial	\$0.07	\$0.09	\$0.11	539	\$20	\$48	\$1,032	\$1,100
Other Non-Residential	\$0.29	\$0.35	\$0.42	1,887	\$277	\$669	\$14,350	\$15,297
					\$3,944,909	\$9,533,530	\$204,347,720	\$217,826,159
Total Cost of Tier 1 & FIDS Projects (from Tables 1 & 3) >								\$1,071,364,088
% Covered by RTMF >								20%

* FCOG and FCTA Boards approved a 2-year phase-in based on \$1,200 per single-family dwelling in 2009, with fees for other development types getting a proportionate reduction.

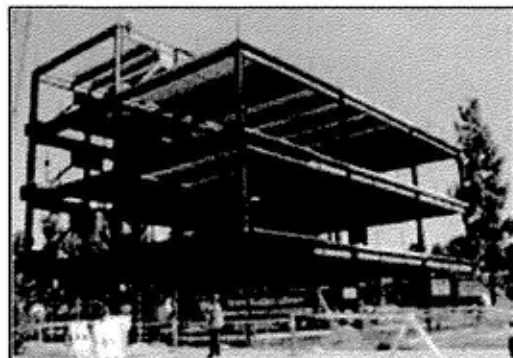
** Assumes fee will take effect July 1, 2009

Estimated Revenues After Exemptions and Reductions \$217,826,159
 Administrative Costs (2%) \$4,356,523
 RTMF Funds Available for Projects \$213,469,636
 Costs Eligible for RTMF from Column (F) in Tables 8, 9, and 10 \$373,110,744
 Percent of Eligible Costs Covered 57%

TABLE 16: COMPUTATION OF RTMF FUNDS BY PROJECT

Projects Receiving Funds	Total Project Costs	Costs Attributable to New Development	RTMF Coverage After Exemptions & Reductions	Projected RTMF Funding	% of Total Project Cost
	From Tables 1, 2, 3	From Tables 8, 9, 10	From Table 15		
	(A)	(B)	(C)	(D)=(B)*(C)	(E)=(D)/(A)
Tier 1					
SR-180 West Seg II	\$5,450,000	\$909,681	57%	\$520,460	10%
SR-41/SR-168/SR-180	\$114,000,000	\$114,000,000	57%	\$65,223,366	57%
Veteran's Boulevard	\$117,978,600	\$68,343,647	57%	\$39,101,778	33%
SR-180 East Seg III	\$42,600,000	\$42,600,000	57%	\$24,372,942	57%
SR-180 East Seg IV	\$46,460,819	\$46,253,581	57%	\$26,463,283	57%
SR-180 East Seg V	\$59,915,560	\$59,915,560	57%	\$34,279,776	57%
Freeway Interchange Deficiency Study					
SR99/Beimont	\$6,783,000	\$6,783,000	57%	\$3,880,790	57%
SR41/Tulare&Divisadero	\$6,837,500	\$6,837,500	57%	\$3,911,972	57%
SR41/Ashlan	\$5,456,750	\$5,456,750	57%	\$3,121,996	57%
SR41/Bullard	\$14,107,500	\$14,107,500	57%	\$8,071,392	57%
SR41/Friant	\$2,751,000	\$2,303,525	57%	\$1,317,927	48%
SR180/N. Fulton & Van Ness	\$2,500,000	\$2,500,000	57%	\$1,430,337	57%
SR168/Shaw	\$3,100,000	\$3,100,000	57%	\$1,773,618	57%

Total Urban	\$128,353,635	60%
Total Rural	\$85,116,001	40%
Total RTMF Funds for Projects	\$213,469,636	100%



Regional Transportation Mitigation Fee for Fresno County

Administrative Manual

February 2009

Prepared by Parsons Brinckerhoff

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I. Introduction

With the successful completion of the Regional Transportation Mitigation Fee (RTMF) Nexus Study and the adoption of enabling ordinances, issues relating to implementation of the RTMF program need to be addressed. With a program of this nature involving coordination with multiple local jurisdictions, and adherence to local ballot Measure requirements and restrictive State legislation, it is necessary to establish administrative guidelines.

Administrative procedures and policies will guide participating jurisdictions with various aspects of the RTMF program implementation and will ensure that the program is carried out consistently in all jurisdictions. This Administrative Manual will provide step by step guidance for administering the program, including the fee structure, procedures for collecting the fee, worksheets for calculating the appropriate fee amount, procedures for exemptions and refunds, and procedures for reporting fee collections.

II. Explanation of Program

The RTMF is an important part of the Measure "C" Extension approved by Fresno County voters in 2006. The RTMF is intended to ensure that future development contributes its fair share towards the cost of infrastructure to mitigate the cumulative, indirect regional transportation impacts of new growth in a manner consistent with the provisions of the State of California Mitigation Fee Act.

The purpose of the RTMF is to establish a uniform, cooperative program to mitigate the regional traffic impacts of future developments on high-priority state roadways in Fresno County. The fees will help fund improvements needed to maintain the target level of service in the face of the higher traffic volumes brought on by new developments.

Each jurisdiction is responsible for adoption of a local enabling ordinance, and calculation and collection of fees within their jurisdiction. Local jurisdictions are also responsible for transmitting all fees collected to Fresno County Transportation Authority (FCTA) within 90 days of payment, and for preparation and submittal of required reports as detailed in Chapter VIII. A copy of the RTMF Model Ordinance detailing specific provision of the RTMF program is included in Appendix 1.

III. Development Fee Structure

The RTMF Nexus Study report describes the methodology and results of the study undertaken to develop a Regional Transportation Mitigation Fee (RTMF) for the local governments of Fresno County. The RTMF is an important component of the Measure "C" Extension that was approved by Fresno County voters in 2006, and the Nexus Study was carried out to fulfill a specific provision of the Measure.

The Nexus Study was based on the conventional approach of comparing traffic level-of-service with and without the addition of traffic from expected new development to identify where capacity improvements are needed to maintain the target level-of-service. The methodology used in the study is described in Chapters 2 through 7 of the Nexus Study report.

Over the year-long course of the study numerous policy issues were raised and analyzed. Input was sought and received at more than a dozen public meetings and through web-based correspondence. Based on this input and guidance in Measure "C" ballot language the FCOG and FCTA Boards ultimately approved a plan that:

- Limits the use of RTMF funds to projects for state facilities identified on the Regional Transportation Funding Tier 1 list or in the Freeway Interchange Deficiency Study (FIDS).
- Exempts projects for the development of educational or governmental facilities from paying the fee, and reduces the fee for affordable housing to half of the fee for market-rate housing. Retail developments are to be given a reduction for pass-by trips that are incidental to longer trips that would have occurred anyway.
- Phases in the fee over a three-year period, with reduced fees in 2009 and 2010, and the full fee to take effect in 2011.
- Is expected to generate approximately \$213 million over a 20-year period; enough to fund approximately 20% of the overall costs of the Tier 1 and FIDS programs.

There will be 4 different fee categories for residential developments and 7 categories for non-residential developments. The fees adopted by the FCOG and FCTA Boards in October 2008 were as follows:

Land Use Category	2009	2010	2011 and thereafter
Residential Developments (\$/dwelling unit)			
Single-Family Dwelling (market-rate)	\$1,200	\$1,450	\$1,727
Single-Family Dwelling (affordable)	\$600	\$725	\$863
Multi-Family Dwelling (market-rate)	\$843	\$1,018	\$1,212
Multi-Family Dwelling (affordable)	\$421	\$509	\$606
Non-Residential Developments (\$/sq.ft.)			
Commercial/Retail	\$1.36	\$1.65	\$1.96
Commercial/Office/Service	\$0.85	\$1.03	\$1.23
Education	Exempt	Exempt	Exempt
Government	Exempt	Exempt	Exempt
Light Industrial	\$0.34	\$0.41	\$0.49
Heavy Industrial	\$0.07	\$0.09	\$0.10
Other Non-Residential	\$0.29	\$0.35	\$0.42

For the purpose of calculating the RTMF obligation, residential dwelling units are defined as a building or portion thereof used by one (1) family and containing at least one (1) kitchen, which is designed primarily for residential occupancy. Residential dwelling units may include, but are not limited to, detached houses, apartment homes, condominiums and mobile homes. Residential dwelling units do not include hotel and motel rooms, dormitories, medical care facilities and correctional institutions which are considered to be non-residential developments.

Non-residential development is defined as commercial/retail, commercial/office/service, education, government, light industrial, heavy industrial and other non-residential developments which are designed primarily for use as a business and is not intended for residential occupancy or dwelling use. The applicable non-residential land use category for a non-residential development is determined based on the predominate use of the building or structure associated with the new development and may be related to the underlying land use zoning of the new development site. The RTMF non-residential land use categories were defined with reference to the North American Industry Classification System (NAICS) for the purpose of determining the respective fee rates.

Appendix 2 in Section XI provides a list of non-residential use types based on the NAICS developed by the United States Census Bureau. Each NAICS use type has been assigned to an appropriately corresponding RTMF non-residential use category. The NAICS cross reference with RTMF

non-residential use categories is to be used to determine which category a particular development type falls into.

Within these categories there are several types of developments that have been explicitly defined for the purpose of supplemental fee calculation (herein referred to as 'defined use') these defined uses have unique characteristics such that their trip generation is not necessarily proportionate to the number or size of buildings on the site. For these defined uses, the standard RTMF calculation methodology does not assign a fair share of the fee obligation to the development. The supplemental fee calculation methodology for these defined uses are explained in Section V and specific fee calculation are included in Appendix 8. Defined use types are Residential – Mobile Home Parks and Non-Residential – Fuel Filling Stations, Vehicle Dealerships, Group Quarters, Congregate Care Facilities and Nursing Homes, Mini-Warehouses and Rental Storage, Golf Courses, Wholesale Nurseries, and Retail Nurseries / Garden Centers. Determination of the precise floor area for each defined use will be explained in Section V.

IV. Exemptions and Waivers

Developments of educational facilities and government facilities shall be exempt from paying the RTMF.

An "education development" means any development project that is predominately dedicated to conducting regular academic instruction at preschool, kindergarten, elementary, secondary, and collegiate levels and including graduate schools, universities, non-profit research institutions and religious institutions. This definition applies only to public or non-profit institutions and does not include schools, academies or institutes, incorporated or otherwise which operate for profit, nor does it include commercial or trade schools.

"Government development" is defined as any development project that is predominately dedicated to provision of administrative, clerical, law enforcement, public safety, taxation and governance services by public institutions with legislative, executive or judicial authority.

V. Fee Calculation

RTMF fees will be assessed according to the Master Fee Schedule presented previously in Section I. Fee Calculation Worksheets (referred to as Forms A, B and B.1-B.7) have been developed for the jurisdictions to use in determining the amount of the RTMF to be assessed. Each jurisdiction will complete the appropriate forms for each development and assign each form an Application number consisting of the three letter City Code found in Appendix 5 along with a unique 6 digit code consisting of the two digit year followed by a unique 4 digit number. This code along with the applicant name and total fee will be transferred to the Master Fee Collection Log (referred to as Form C).

1. Residential developments are divided into four categories; single-family market rate, single-family affordable, multi-family market rate and multi-family affordable. Residential developments have a flat cost per unit.

Residential RTMF obligations are calculated by multiplying the net increase in the total number of dwelling units associated with a new development by the appropriate residential land use category fee rate using Form A.

A. Mobile Homes are the only Residential Defined Use that has been identified for the supplemental RTMF calculations. Mobile homes to be located in mobile home parks will be considered as multi-family dwelling units with the RTMF obligation calculated using Form A for standard residential fee calculations. Notice of the fee obligation will be provided to the mobile home park developer at the time of issuance of the "Mobile Home Park Permit" or equivalent building permit for the installation of site infrastructure including, but not limited to, permanent foundations, and electrical, water and sewer receptacles. The RTMF will be required to be paid in full by the mobile home park developer at the time of final inspection by the appropriate local jurisdiction to authorize utilization of the site for lease to a mobile home owner (which is considered the equivalent to the issuance of a certificate of occupancy).

Mobile homes to be located on individual lots will be considered single-family dwelling units with the RTMF obligation calculated using Form A for standard residential fee calculations.

2. Non-residential developments have seven categories. Two of the seven categories, education and government, are exempt from paying the fee. The remaining five categories, commercial/retail, commercial/office/service, light industrial, heavy industrial, and other non-residential are assessed the RTMF fee. Non-residential developments have a per square foot cost.

Non-residential RTMF obligations are calculated by multiplying the net increase in the gross floor area of the buildings or structures associated with a new development by the appropriate non-residential land use category fee rate using Form B. The gross floor area of non-residential developments is defined as the sum, measured in square feet, of the area at each floor level, including cellars, basements, mezzanines, penthouses, corridors, lobbies, stores, and offices, that are included within the principal outside faces of the exterior wall of the building or structure, not including architectural setbacks or projections. Included are all stories or areas that have floor surfaces with clear standing head room (at least 6 feet, 6 inches) regardless of their use. Where a ground level area, or part thereof, within the principal outside faces of the exterior walls of the building or structure is left un-roofed, the gross floor area of the un-roofed portion will be added to the overall square footage of the building for the purpose of the non-residential fee calculation unless the unroofed area is solely provided for architectural or aesthetic purposes.

Appendix 2 provides a list of non-residential use types based on the North American Industrial Classification System (NAICS) developed by the United States Census Bureau. Each NAICS use type has been assigned to an appropriately corresponding RTMF non residential use category. The NAICS cross reference with RTMF non-residential use categories is to be used to determine which category a particular development type falls into.

Eight Non-Residential Developments have a Defined Use for supplemental fee calculation. Each of them is described below with the details on proper calculation of the RTMF. A summary table of all Defined Use Types can be found in Appendix 4.

A. All types of fuel filling stations or facilities with fuel filling positions will be considered commercial/retail use types. The methodology outline in Form B.1 and described as follows will be applied to determine the gross floor area for calculating the RTMF obligation for all types of fuel filling stations or facilities with fuel filling positions (*for the example*

calculation assume a fuel filling station with 12 fuel filling positions and a building area of 1,250 square feet). The total number of fuel filling positions is equal to the maximum number of vehicles that could be supplied with fuel at the same time.

1. Multiply the total number of fuel filling positions by 1,885.5 square feet (i.e. for the example station it is $12 \times 1,885.5 = 22,626$ square feet).
2. Determine the total floor area of buildings on the site noting that the canopy area is not included as part of the gross floor area of the buildings on the site (i.e. for the example station it is 1,250 square feet).
3. Compare the results for steps 1 and 2, and use the greater of the two values as the gross floor area to calculate the RTMF obligation using Form B for standard non-residential fee calculations. (i.e. $22,626 > 1,250$; for the example station RTMF would be calculated for 22,626 square feet).

B. All vehicle dealerships are considered to be commercial/retail use types. RTMF obligation for Vehicle Dealerships will be calculated based on the gross floor area of all buildings associated with the dealership, including all vehicle sales, parts sales, service areas, administrative offices and waiting areas, using Form B for standard non-residential fee calculations.

C. Group quarters include, but are not limited to, correctional facilities, nursing homes, mental hospitals, college dormitories, military barracks, group homes, missions and shelters. Group quarters typically provide a group of rooms with shared living quarters for unrelated persons. Occupants of group quarters live and eat together with other persons in the building sharing at a minimum communal kitchen, dining and living facilities.

All group quarters will be considered non-residential commercial/office/service use types. The RTMF obligation for group quarters will be calculated using Form B for standard non-residential fee calculations.

C.1 Congregate care facilities (including senior assisted living facilities) and nursing homes are specific types of group quarters whose primary function is to provide care for elderly persons or other persons who are unable to adequately care for themselves due to advanced age or health reasons (such as chronic health care or convalescent care facilities). According to the Trip Generation 7th Edition (Institute of Traffic Engineers, 2003) vehicle ownership by residents of these types of

facilities is very low and residents do little or no driving due to their mobility limited condition. Traffic generation at these facilities is primarily limited to employees, visitors, and deliveries. By contrast, trip generation at other types of group quarters such as dormitories, barracks, and group homes is higher due to the increased mobility of residents. For this reason, it is considered appropriate to adjust the RTMF calculation methodology specifically for congregate care, nursing home and assisted living facilities.

The methodology outlined in Form B.2 and described as follows will be applied to determine the gross floor area for those group quarters specifically used only for congregate care (including assisted living) and/or nursing homes.

1. Multiply the total number of beds by 134.9 square feet (i.e. for 120 beds it is $120 \times 134.9 = 16,188$ square feet).
2. Use the resultant value as the gross floor area to calculate the RTMF obligation using Form B for standard non-residential fee calculations.

D. All types of mini-warehouses or facilities providing rental storage (including outdoor rental storage areas) will be considered industrial use types. The methodology outlined in Form B.3 and described as follows will be applied to determine the gross floor area for all types of mini-warehouses rental storage facilities.

1. Multiply the total site area in acres by 6,521.8 square feet (i.e. for the example facility it is $3.3 \times 6,521.8 = 21,521$ square feet).
2. Use the resultant value as the gross floor area to calculate the RTMF obligation using Form B for standard non-residential fee calculations.

For the purpose of determining the RTMF obligation, a residence that is located entirely within a mini-warehouse or rental storage site and is used exclusively by an on-site caretaker and his/her immediate family is considered to be integral to the primary industrial use of the site and therefore is not subject to any additional RTMF obligation over the amount calculated in accordance with the methodology outlined above.

E. All public and private golf courses are considered to be service use types. The methodology outlined in Form B.4 and described as follows will be applied to determine the gross floor area for the purpose of calculating the fee obligation for all public and private golf courses

(for the example calculation assume a golf course with 18 holes and including buildings covering an area of 20,000 square feet).

1. Multiply the total number of holes by 2,034.1 square feet (i.e. for the example golf course it is $18 \times 2,034.1 = 36,614$ square feet).
2. Determine the total floor area of buildings on the site (i.e. for the example course it is 20,000 square feet).
3. Compare the results for steps 1 and 2, and use the greater of the two values as the gross floor area to calculate the RTMF obligation using Form B for standard non-residential fee calculations. (i.e. $36,614 > 20,000$; for the example golf course RTMF would be calculated for 36,614 square feet).

F. All wholesale nurseries will be considered industrial use types. The methodology outlined in Form B.5 and described as follows will be applied to determine the gross floor area for all wholesale nurseries (for the example calculation assume a wholesale nursery with a total site area of 24.2 acres and including buildings with a gross floor area of 2,750 square feet).

1. Multiply the total site area in acres by 437.2 square feet (i.e. for the example facility it is $24.2 \times 437.2 = 10,580$ square feet).
2. Determine the total floor area of buildings on the site (i.e. for the example facility it is 2,750 square feet).
3. Compare the results for steps 1 and 2, and use the greater of the two values as the gross floor area to calculate the RTMF obligation using Form B for standard non-residential fee calculations. (i.e. $10,580 > 2,750$; for the example wholesale nursery RTMF would be calculated for 10,580 square feet).

G. All retail nurseries (also referred to as "Garden Centers") will be considered commercial/retail use types. The methodology outlined in Form B.6 and described as follows will be applied to determine the gross floor area for all retail nurseries (for the example calculation assume a retail nursery with a total site area of 2.5 acres and including buildings with a gross floor area of 9,650 square feet).

1. Multiply the total site area in acres by 1,114.4 square feet (i.e. for the example facility it is $2.5 \times 1,114.4 = 2,786$ square feet).
2. Determine the total floor area of buildings on the site (i.e. for the example facility it is 9,650 square feet).
3. Compare the results for steps 1 and 2, and use the greater of the two values as the gross floor area to calculate the RTMF obligation

using Form B for standard non-residential fee calculations. (i.e. 9,650 > 2,786; for the example retail nursery RTMF would be calculated for 9,650 square feet).

This methodology applies only to retail nurseries and garden centers that are free-standing businesses. Where the selling of garden and landscaping supplies (including plants) is an integral component of a more extensive retail store, the RTMF obligation will be determined based exclusively on the gross building area of the primary business of the site.

H. All types of high-cube warehouses or distribution centers will be considered industrial use types. The methodology outlined in Form B.7 and described as follows will be applied to determine the equivalent floor area for high-cube warehouses/distribution centers with a minimum gross floor area of 200,000 square feet, a minimum ceiling height of 24 feet and a minimum dock-high door loading ratio of 1 door per 10,000 square feet (for the example calculation assume a high-cube warehouse with a gross floor area of 450,000 square feet, a ceiling height exceeding 24 feet and a dock-high door loading ratio exceeding 1:10,000).

1. Subtract 200,000 square feet from the total gross floor area (i.e. for the example facility it is 450,000 – 200,000 = 250,000 square feet).
2. Multiply the resultant value from step 1 which is total gross floor area in excess of 200,000 square feet by 0.24 (i.e. for the example facility it is 250,000 x 0.24 = 60,000 square feet).
3. Add 200,000 square feet to the resultant value of step 2 (i.e. for the example facility it is 200,000 + 60,000 = 260,000 square feet).
4. Use the resultant value of step 3 as the gross floor area to calculate the RTMF obligation using Form B for standard non-residential fee calculations.

The RTMF obligation for a warehouse facility with a gross floor area of less than 200,000 square feet, a ceiling height of less than 24 feet and/or a dock-high door loading ratio of less than 1 door per 10,000 square feet will be calculated based on the actual gross floor area using Form B for standard non-residential fee calculations.

Furthermore, where other uses such as wholesale showrooms, retail showrooms or office suites are co-located with qualifying high-cube warehouse facilities, only the qualifying warehouse portion of the premises will be calculated using Form B.7. The fee obligation for all

other co-located facilities will be calculated based on the actual gross floor area and the appropriate land use category using Form B for standard non-residential fee calculations.

3. The Fee Calculation Worksheet, Form A or Form B, (Appendix 5 & 6) shall be used by local jurisdictions to determine the fee amount due from the developer. For any development that has a defined use, the corresponding Defined Use Worksheet (Form B.1 –B.7, Appendix 7) will also be completed to determine the correct figures to be used on Form B.

The RTMF can be calculated at the time a building permit or development application is filed with the respective local jurisdiction using the most recent fee schedule in effect at the time. However, the fee obligation to the RTMF program will be based on the fees in effect at the time of full payment which can occur up until the fees are due at issuance of a certificate of occupancy or final inspection.

VI. Fee Collection Procedures

Once the development fee has been calculated as described in Section V, the jurisdiction is responsible for the collection of the determined fee from the developer. Since the RTMF is intended to mitigate the traffic impacts of new development, and the traffic impacts of a development are not realized until the development is occupied, the fees shall be due and fully collected by the time a certificate of occupancy is issued for the Development Project or upon final inspection, whichever come first. However, as described in Section V, fees can be calculated at the time a building permit application or development application is filed with the local jurisdiction providing sufficient information to determine the number of residential units or square footage of non-residential developments, and the fees can be paid at any time prior to issuance of an occupancy permit or final inspection.

The fee obligation shall be calculated based on the fee in effect at that time fees are paid, provided the developer tenders the full amount of the RTMF obligation. For the ease of record keeping, it is recommended that the fee be collected in full at the time it is due. Should any partial payments or deposits be accepted, they will be deducted from the total amount due but the fee obligation. The fee will be based on the Master Fee Schedule in place at the time the fee is paid in full.

There is no right under the RTMF to pay fees prior to application for building permit or development permit. Acceptance of payment of the RTMF prior to application for building permit or development permit does not create any vesting rights against any increase in the RTMF or adoption of any new fees.

Once the fee has been collected, RTMF payment transaction information should be transferred to a Master Fee Collection Log, Form C. A copy of the log can be found in Appendix 9.

Each jurisdiction may collect an administrative processing fee at the time the RTMF is collected. This fee is to help offset the cost of administering the program. This fee may not exceed the actual cost to administer the program.

VII. Credits and Reimbursements

In a few instances, a credit toward the payment of the RTMF may be given for improvements that are made to eligible projects included as part of the RTMF program and identified in the Nexus Study as follows:

- i Exaction Credits: If a developer constructs improvements identified on an eligible facility as a condition of development approval to mitigate a direct impact of the development, the developer shall receive credit for actual costs associated with the improvement based on the estimated cost share attributable to new development as identified in the RTMF Nexus Study. FCTA staff must pre-approve any credit agreements that deviate from the standard FCTA approved format.
- ii Other Credits: In special circumstances, when a developer constructs off-site improvements such as an interchange, bridge, or railroad grade separation, credits shall be determined by FCTA and the local jurisdiction in consultation with the developer. All such credits must have prior written approval from FCTA.

The amount of the development fee credit shall not exceed the maximum amount determined by the most current estimated cost share attributable to new development as detailed in the RTMF Nexus Study or actual costs, whichever is less.

Should the developer construct network improvements in excess of the RTMF fee obligation, the developer shall be reimbursed based on eligible and reasonable actual costs. Reimbursements shall be enacted through a three party agreement including the developer, FCTA, and the local jurisdiction, contingent on funds being available. In all cases, however, reimbursements under such special agreements must coincide with construction of the transportation improvements as scheduled in the most current Measure "C" Implementation Plan adopted by FCTA.

VIII. Reporting Responsibilities

Each jurisdiction is responsible for transfer of funds and documentation including the Fee Calculation Worksheet, Form A and/or Form B along with Forms B.1 – B.7 for any Defined Use Types of development, and the Master Fee Collection Log, Form C, to FCTA every 90 days. Since the program is set to begin collection of funds in July 1, 2009, the first transmission will be due to the Transportation Commission on October 1, 2009, and every quarter there after (January 1, April 1, July 1 and October 1).

It is the Transportation Commission's responsibility to deposit all funds received in an account that has been established strictly for the RTMF funds. The Transportation Commission will complete the Master Fee Collection Log listing the total amount collected from each City, the total deposit amount and the date the deposit was made. Further, it is the Transportation Commission's responsibility to provide regular reports and updates on the status of fees collected to the jurisdictions at the regularly scheduled Commission meetings.

The funds in the RTMF account shall only be used for funding design, acquisition and construction of the eligible improvements identified on the approved project list included as part of the most recently adopted RTMF Nexus Study.

IX. Fee Adjustment / Review

The RTMF will be adjusted annually to account for inflation and other changes in the program. Any changes to the fee must be made by Amendment to the Master Fee Schedule consistent with the requirements of the State of California Mitigation Fee Act.

The fees may be increased or decreased to reflect changes in actual and estimated costs of the eligible projects, including, but not limited to, design, right-of-way and construction costs. The annual adjustment of the fees may also reflect minor changes in the eligible facilities required to be constructed based on conditions encountered during project development, but shall not include major modifications to eligible projects or additions of new projects. Major changes to eligible projects must coincide with updates of the Nexus Study to ensure the changes are consistent with the requirements of the State of California Mitigation Fee Act.

Any appeals must be filed with the Transportation Commission. Appealable issues shall be the application of the fee, application of credits, application of reimbursements, and application of exemption. Appeals may also be made that the fee level for development of unique types of land uses be evaluated on an individual basis. Such unique projects and specific evaluation shall be paid for by the project applicant and performed by the FCTA of its designee.

X. Appendices

Appendix 1 Model Ordinance

Appendix 2 Development Types / Fee Categories

Appendix 3 RTMF Fee Chart

Appendix 4 Defined Use Types

Appendix 5 City Codes

Appendix 6 Fee Calculation Worksheet Form A

Appendix 7 Fee Calculation Worksheet Form B

Appendix 8 Defined Use Types Forms B.1 - B.7

Appendix 9 Master Fee Collection Log Form C

Appendix 1

RTMF Model Ordinance

Insert model ordinance

Appendix 2

Development Types / Fee Categories

RTMF Non-Residential Category Correspondence Summary

RTMF Categories	NAICS Major Groups	NAICS Codes and Descriptions
Commercial / Retail	44-45 Retail Trade	441 Motor Vehicle and Parts Dealers
		442 Furniture and Home Furnishing Stores
		443 Electronics and Appliance Stores
		444 Building Material and Garden Equipment and Supplies Dealers
		445 Food and Beverage Stores
		446 Health and Personal Care Stores
		447 Gasoline Stations
		448 Clothing and Clothing Accessories Stores
		451 Sporting Goods, Hobby, Book, and Music Stores
		452 General Merchandise Stores
		453 Miscellaneous Store Retailers
		454 Nonstore Retailers
		72 Accommodation and Food Service
		722 Food Services and Drinking Places
Commercial / Office - Service	52 Finance and Insurance	521 Monetary Authorities-Central Bank
		522 Credit Intermediation and Related Activities
		523 Securities, Commodity Contracts, and Other Financial Investments and Related Activities
		524 Insurance Carriers and Related Activities
		525 Funds, Trusts, and Other Financial Vehicles
	53 Real Estate and Rental and Leasing	531 Real Estate
		532 Rental and Leasing Services
		533 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)
	54 Professional, Scientific, and Technical Services	541 Professional, Scientific, and Technical Services
	55 Management of Companies and Enterprises	551 Management of Companies and Enterprises
	56 Administrative and Support and Waste Management and Remediation Services	561 Administrative and Support Services
		562 Waste Management and Remediation Services
	62 Health Care and Social Services	621 Ambulatory Health Care Services
		622 Hospitals
		623 Nursing and Residential Care Facilities
		624 Social Assistance
	71 Arts, Entertainment and Recreation	711 Performing Arts, Spectator Sports, and Related Industries
		712 Museums, Historical Sites, and Similar Institutions
		713 Amusement, Gambling, and Recreation Industries
	81 Other Services (Except Public Administration)	811 Repair and Maintenance
		812 Personal and Laundry Services
		813 Religious, Grantmaking, Civic, Professional, and Similar Organizations
		814 Private Households
Education	61 Educational Services	611 Educational Services
Government	92 Public Administration	921 Executive, Legislative, and Other General Government Support
		922 Justice, Public Order, and Safety Activities
		923 Administration of Human Resource Programs
		924 Administration of Environmental Quality Programs
		925 Administration of Housing Programs, Urban Planning, and Community Development
		926 Administration of Economic Programs
		927 Space Research and Technology
		928 National Security and International Affairs
Light Industrial	42 Wholesale Trade	423 Merchant Wholesalers, Durable Goods
		424 Merchant Wholesalers, Nondurable Goods
		425 Merchant Wholesalers, Nondurable Goods
	51 Information	511 Publishing Industries (except Internet)
		512 Motion Picture and Sound Recording Industries
		515 Broadcasting (except Internet)
		517 Telecommunications
		518 Data Processing, Hosting, and Related Services
		519 Other Information Services

Heavy Industrial	11 Agriculture, Forestry, Fishing and Hunting	111 Crop Production
		112 Animal Production
		113 Forestry and Logging
		114 Fishing, Hunting and Trapping
		115 Support Activities for Agriculture and Forestry
	21 Mining, Quarrying and Oil and Gas Extraction	211 Oil and Gas Extraction
		212 Mining (except Oil and Gas)
		213 Support Activities for Mining
	23 Construction	236 Construction of Buildings
		237 Heavy and Civil Engineering Construction
		238 Specialty Trade Contractors
	31-33 Manufacturing	311 Food Manufacturing
		312 Beverage and Tobacco Product Manufacturing
		313 Textile Mills
		314 Textile Product Mills
		315 Apparel Manufacturing
		316 Leather and Allied Product Manufacturing
		321 Wood Product Manufacturing
		322 Paper Manufacturing
		323 Printing and Related Support Activities
		324 Petroleum and Coal Products Manufacturing
		325 Chemical Manufacturing
		326 Plastics and Rubber Products Manufacturing
		327 Nonmetallic Mineral Product Manufacturing
		331 Primary Metal Manufacturing
		332 Fabricated Metal Product Manufacturing
		333 Machinery Manufacturing
		334 Computer and Electronic Product Manufacturing
		335 Electrical Equipment, Appliance, and Component Manufacturing
		336 Transportation Equipment Manufacturing
		337 Furniture and Related Product Manufacturing
		339 Miscellaneous Manufacturing
	48-49 Transportation and Warehousing	481 Air Transportation
		482 Rail Transportation
		483 Water Transportation
		484 Truck Transportation
		485 Transit and Ground Passenger Transportation
		486 Pipeline Transportation
		487 Scenic and Sightseeing Transportation
		488 Support Activities for Transportation
		491 Postal Service
		492 Couriers and Messengers
		493 Warehousing and Storage
Other Non-Residential	22 Utilities	221 Utilities

Sources: NAICS 2007 definitions

Appendix 3

RTMF Fee Chart

RTMF Fee Chart

Land Use Category	2009	2010	2011 and thereafter
Residential Developments (\$/dwelling unit)			
Single-Family Dwelling (market-rate)	\$1,200	\$1,450	\$1,727
Single-Family Dwelling (affordable)	\$600	\$725	\$863
Multi-Family Dwelling (market-rate)	\$843	\$1,018	\$1,212
Multi-Family Dwelling (affordable)	\$421	\$509	\$606
Non-Residential Developments (\$/sq.ft.)			
Commercial/Retail	\$1.36	\$1.65	\$1.96
Commercial/Office/Service	\$0.85	\$1.03	\$1.23
Education	Exempt	Exempt	Exempt
Government	Exempt	Exempt	Exempt
Light Industrial	\$0.34	\$0.41	\$0.49
Heavy Industrial	\$0.07	\$0.09	\$0.10
Other Non-Residential	\$0.29	\$0.35	\$0.42

Appendix 4

Defined Use Types

Defined Use Types	
DEFINED USE	CALCULATION METHODOLOGY
<i>Residential</i>	Standard residential fee calculation is the net increase in the total number of dwelling units multiplied by the appropriate residential land use category fee rate using Form A .
Mobile Home Parks	Mobile homes to be located in mobile home parks will be calculated as multi-family dwelling units and mobile homes to be located on individual lots will be calculated as single-family dwelling units using Form A for standard residential fee calculations.
<i>Non-Residential</i>	Standard non-residential fee calculation is the net increase in the gross floor area of buildings multiplied by the appropriate non-residential land use category fee rate using FORM B .
Fuel Filling Stations	For all types of fuel filling stations or facilities with fuel filling positions, the gross floor area will be calculated using Form B.1 and the resultant value will be entered as the <i>Total Gross Floor Area for Retail Buildings</i> in Form B for standard non-residential fee calculations.
Vehicle Dealerships	Vehicle Dealerships will be calculated based on the gross floor area of all buildings and structures associated with the dealership using Form B for standard non-residential fee calculations.
Group Quarters	All types of group quarters will be calculated as service uses using Form B for standard non-residential fee calculations.
Congregate Care Facilities and Nursing Homes	For all group quarters specifically used for congregate care (including assisted living facilities) and/or nursing homes, the gross floor area will be calculated using Form B.2 and the resultant value will be entered as the <i>Total Gross Floor Area for Service Buildings</i> in Form B for standard non-residential fee calculations.
Mini-Warehouses and Rental Storage	Mini-Warehouses and Rental Storage (including outdoor rental storage areas) will be calculated using Form B.3 and the resultant value will be entered as the <i>Total Gross Floor Area for Industrial Buildings</i> in Form B for standard non-residential fee calculations.
Golf Courses	Golf Courses will be calculated using Form B.4 and the resultant value will be entered as the <i>Total Gross Floor Area for Service Buildings</i> in Form B for standard non-residential fee calculations.
Wholesale Nurseries	Wholesale Nurseries will be calculated using Form B.5 and the resultant value will be entered as the <i>Total Gross Floor Area for Industrial Buildings</i> in Form B for standard non-residential fee calculations.
Retail Nurseries (Garden Centers)	Retail Nurseries will be calculated using Form B.6 and the resultant value will be entered as the <i>Total Gross Floor Area for Retail Buildings</i> in Form B for standard non-residential fee calculations.
High-Cube Warehouse/Distribution Center	High-Cube Warehouses/Distribution Centers with a minimum gross floor area of 200,000 square feet, a minimum ceiling height of 24 feet and a minimum dock-high door loading ratio of 1 door per 10,000 square feet will be calculated using Form B.7 and the resultant value will be entered as the <i>Total Gross Floor Area for Industrial Buildings</i> in Form B for standard non-residential fee calculations.

Appendix 5

City Codes

Fresno County City Codes

The following three letter codes are to be used before a unique four digit number on all RTMF Forms A and B.

Clovis	clo
Firebaugh	fir
Fowler	fow
Fresno	fre
Huron	hur
Kerman	ker
Kingsburg	kin
Mendota	men
Orange Cove	ora
Parlier	par
Reedley	ree
San Joaquin	joa
Sanger	san
Selma	sel

Appendix 6

Fee Calculation Worksheet - Residential Form A

Form A Residential RTMF Calculation Worksheet

1.	Enter Total Number of Market-Rate Single-Family Dwelling Units	X	Enter RTMF Market- Rate Single-Family Rate Per Dwelling Unit	=		← Total A			
2.	Enter Total Number of Affordable Single- Family Dwelling Units	X	Enter RTMF Affordable Single- Family Rate Per Dwelling Unit	=		← Total B			
3.	Enter Total Number of Market-Rate Multi-Family	X	Enter RTMF Market- Rate Multi-Family Rate Per Dwelling	=		← Total C			
4.	Enter Total Number of Affordable Multi- Family Dwelling	X	Enter RTMF Affordable Multi- Family Rate Per	=		← Total D			
5.	Enter Total A	+	Enter Total B	+	Enter Total C	+	Enter Total D	=	\$ RTMF Obligation

Application # _____

Appendix 7

Fee Calculation Worksheet –Non-Residential Form B

Form B Non-Residential RTMF Calculation Worksheet

1.	Enter Total Gross Floor Area of Retail Buildings (in square feet)	X	Enter RTMF Retail Rate Per Square Foot	=		←	Total A		
2.	Enter Total Gross Floor Area of Office/Service Buildings (in square feet)	X	Enter RTMF Office/Service Rate Per Square Foot	=		←	Total B		
3.	Enter Total Gross Floor Area of Light Industrial Buildings (in square feet)	X	Enter RTMF Light Industrial Rate Per Square Foot	=		←	Total C		
4.	Enter Total Gross Floor Area of Heavy Industrial Buildings (in square feet)	X	Enter RTMF Heavy Industrial Rate Per Square Foot	=		←	Total D		
5.	Enter Total Gross Floor Area of Other Non-Residential Buildings (in square feet)	X	Enter RTMF Other Non-Residential Rate Per Square Foot	=		←	Total E		
+ + + + + =									
Enter Total A		Enter Total B		Enter Total C		Enter Total D		Enter Total E	
\$ RTMF Obligation									

Application # _____

Appendix 8

Defined Use Types Forms B.1 – B.7

Form B.1 Fuel Filling Station RTMF Calculation Worksheet

1.	Enter Total Number of Fuel Filling Positions	X 1,885.5 =	Total A
2.			Total B Enter Total Gross Floor Area of Buildings (in square feet)
3.	Enter the greater of Total A and Total B	Enter this value as (part of) the <u>Total Gross Floor Area of Retail Buildings</u> in Form B	

Application # _____

Form B.2 Congregate Care/Nursing Home RTMF Calculation Worksheet

Enter Total Number of Beds	X 134.9 =	Enter this value as (part of) the <u>Total Gross Floor Area of Service Buildings in Form B</u>
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Application # _____

Form B.3 Mini-Warehouse/Rental Storage RTMF Calculation Worksheet

Enter Total Site Area in Acres	X 6,521.8 =	Enter this value as (part of) the <u>Total</u> <u>Gross Floor Area of Industrial Buildings</u> in Form B
--	--------------------	--

Application # _____

Form B.4 Golf Course RTMF Calculation Worksheet

1.	Enter Total Number of Holes	X 2,034.1 =		← Total A
2.				← Total B
			Enter Total Gross Floor Area of Buildings (in square feet)	
3.	Enter the greater of Total A and Total B		← Enter this value as (part of) the <u>Total Gross Floor Area of Service Buildings in Form B</u>	

Application # _____

Form B.5 Wholesale Nursery RTMF Calculation Worksheet

1.	Enter Total Site Area in Acres	X 437.2 =		← Total A
2.				← Total B
3.		Enter this value as (part of) the <u>Total Gross Floor Area of Industrial Buildings</u> in Form B		
	Enter the greater of Total A and Total B			

Application # _____

Form B.6 Retail Nursery RTMF Calculation Worksheet

1.	Enter Total Site Area in Acres	$\times 1,114.4 =$		Total A ←
2.				Total B ← Enter Total Gross Floor Area of Buildings (in square feet)
3.	Enter the greater of Total A and Total B	Enter this value as (part of) the <u>Total Gross Floor Area of Retail Buildings</u> in Form B ←		

Application # _____

High-Cube Warehouse/Distribution Center RTMF Calculation Worksheet

	- 200,000 =		← Total A
Enter Gross Floor Area of Qualifying Building(s)			
	X 0.24 =		← Total B
Enter <u>Total A</u>			
	+ 200,000 =		
Enter <u>Total B</u>		Enter this value as (part of) the <u>Total Gross Floor Area of Industrial Buildings</u> in Form B	

Application # _____

Appendix 9

Master Fee Collection Log Form C

Submitted by: _____

[illegible]

Date Submitted _____ Total Amount Submitted _____

This model uses the County of Fresno as an example. Highlighted sections show where this reference may need to be changed for cities.

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNTY OF FRESNO

AUTHORIZING PARTICIPATION IN THE COUNCIL OF FRESNO COUNTY GOVERNMENTS
REGIONAL TRANSPORTATION MITIGATION FEE PROGRAM

The Board of Supervisors of the County of Fresno (the "Board of Supervisors") ordain as follows:

Section 1: Title

This Ordinance shall be known as the "Fresno County Regional Transportation Mitigation Fee Ordinance of 2009" (the "Ordinance").

Section 2: Findings

A. This Ordinance establishes the "Fresno County Regional Transportation Mitigation Fee" (the "RTMF") as directed by the "Fresno County Transportation, Safety, Road Repair Measure" approved by the voters of Fresno County on November 7, 2006 (the "Measure 'C' Extension").

B. The County is a Member Agency of the Council of Fresno County Governments ("FCOG"), a joint powers agency consisting of the County of Fresno (the "County"), and the incorporated cities situated in Fresno County (the "Cities"). As a Member Agency of FCOG, the County participated in the preparation of a certain "Fresno County Regional Transportation Mitigation Nexus Study", dated February, 2009 (the "RTMF Nexus Study") prepared pursuant to California Government Code, Section 66000 et seq., the Mitigation Fee Act.

C. Consistent with the findings made in the RTMF Nexus Study, the Board of Supervisors has been informed and advised, and hereby finds, that future development within the County and the Cities will result in traffic volumes exceeding the capacity of certain facilities on the freeway and regional arterial highway network (referred to as the "network") as it presently exists.

D. Consistent with the findings made in the RTMF Nexus Study, the Board of Supervisors has been further informed and advised, and hereby finds, that if the capacity of the network is not enlarged, the result will be additional traffic congestion in the County, with unacceptable Levels of Service on facilities throughout the County by 2030.

E. The Board of Supervisors has been further advised, and so finds that existing and known future funding sources will be inadequate to provide necessary improvements to the network, resulting in an unacceptably high level of traffic congestion within and around the County.

F. The Board of Supervisors has reviewed the RTMF Nexus Study, and hereby finds that future development within the County and the Cities will adversely affect the network, and that unless such development contributes its fair share of the cost of improving the network, the network will operate at unacceptable Levels of Service.

G. The Board of Supervisors further finds and determines that there is a reasonable and rational relationship between the use of the RTMF and the type of development projects on which the fees are imposed because the fees will be used to construct the transportation improvements that are necessary for the safety, health and welfare of the residential and non-residential users of the development projects on which the RTMF will be levied.

H. The Board of Supervisors finds and determines that there is a reasonable and rational relationship between the need for the improvements to the network and the type of development projects on which the RTMF is imposed because it will be necessary for the residential and non-residential users of such

- G. **“Commercial/Office/Service Development”** means any development project that is predominately dedicated to business activities associated with professional, administrative or clerical services, and typically consist of corporate offices, financial institutions, legal and medical offices.
- H. **“Commercial/Retail Development”** means any development project that is predominately dedicated to selling goods, wares or merchandise directly to the ultimate consumer.
- I. **“Light Industrial”** means any development project employing fewer than 500 people that is predominately dedicated to processing of small articles such as printing, assembly of data processing equipment, and other similar types of enterprise.
- J. **“Heavy Industrial”** means any development project that is predominately dedicated to the manufacture, fabrication, processing reduction or destruction of any article, substance or commodity, or any other treatment thereof in such a manner as to change the form, character, or appearance thereof, and including storage elevators, truck storage yards, warehouses, wholesale storage and other similar types of enterprise.
- K. **“Other Non-Residential”** means any development project that is predominately non-residential and does not meet any of the definitions of Education Development, Government Development, Commercial/Office/Service Development, Commercial/ Retail Development, Light Industrial, or Heavy Industrial.
- L. **“Development”** means any work or improvement that requires a building permit or development approval but shall not include any work or improvement for offsite construction or improvements to be dedicated to public use as a condition of a development entitlement.
- M. **“New Development”** means any development on vacant land or additions or expansions on existing development wherein square footage of the development, in the case of non-residential use, or the number of dwelling units, in the case of residential use, is increased, or where the use is changed. It shall not include remodels or reuse wherein the number of dwelling units or overall square footage is not increased or the use has not changed.
- N. **“Actual Construction Costs”** mean, for the purpose of imposing a fee adjustment pursuant to Section 4, Paragraph C, any actual and estimated costs of the network improvements, including, but not limited to, debt service, lease payments and construction and acquisition costs.

Section 4: Establishment of the Regional Transportation Mitigation Fee

- A. **Fee.** All new development in the County [or the City, as applicable] shall be responsible for paying the RTMF unless otherwise exempted by this Ordinance.
- B. **Fee Calculation.** The fees shall be assessed according to the RTMF fee provided in the Regional Mitigation Fee Schedule and the methodology set forth in the Fee Calculation Handbook adopted (date), as amended from time to time. The following shall be observed for purposes of calculating the fee:
- i. For residential projects, the fee rate utilized shall be computed on a per-dwelling unit basis.
 - ii. For non-residential projects, the fee rate utilized shall be based on a per-square-foot of the building or structure identified in the building permit as determined by the highest and best use based on the underlying zoning approved for the site.
 - iii. Pursuant to California Government Code, Section 66005.1, the RTMF shall be applied at a reduced rate for those developments meeting the criteria set forth in the Section. The fee reduction shall follow whatever guidelines are established by the State of California for administration of this section of the California Government Code.

Section 5: Reimbursements

Should the developer construct network improvements in excess of the RTMF fee obligation, the developer shall be reimbursed based on reasonable actual costs. Reimbursements shall be enacted through a three party agreement including the developer, FCTA, and the County [or the City, as applicable], contingent on funds being available. In all cases, however, reimbursements under such special agreements must coincide with construction of the transportation improvements as scheduled in the most current Measure "C" Implementation Plan adopted by FCTA.

Section 6: Procedures for the Levy, Collection and Disposition of Fees

A. **Authority of the Building Department.** The Director of Public Works [for some jurisdictions this will be the Director of Community Development or Planning], or his/her designee, is hereby authorized to levy and collect the RTMF and make all determinations required by this Ordinance.

B. **Payment.** Payment of the fees shall be as follows:

- i. The fees shall be paid no later than the time a certificate of occupancy is issued for the Development pursuant to County [or City] policy [refer to code section].
- ii. The amount of the fee to be paid shall be the fee amount in effect at the time that payment is made under this Ordinance
- iii. If all or part of any development project is sold prior to payment of the fee, the property shall continue to be subject to the requirement for payment of the fee, accordingly, the fees shall run with the land.
- iv. Applicants shall pay a processing fee of twenty-five dollars (\$25.00) per application that shall be used to help cover the cost to the County [or the City, as applicable] of administering the RTMF program. This fee shall be paid at the same time as the RTMF fee. [Each jurisdiction should decide how much, if anything, to charge applicants. The amounts charged cannot exceed the actual cost of administering the program]

C. **Disposition of Fees.** All fees collected hereunder shall be transmitted to the Executive Director of FCTA within ninety days for deposit, investment, accounting and expenditure in accordance with the provisions of this Ordinance and the Mitigation Fee Act.

D. **Appeals.** Appeals shall be filed with FCTA in accordance with the administrative procedures established by FCTA. Appealable issues shall be the application of the fee, application of credits, application of reimbursement, and application of exemption. Appeals may also be made that the fee level for development of unique types of land uses be evaluated on an individual basis. Such unique projects and specific evaluation shall be paid for by the project applicant and performed by Fresno COG or its designee.

E. **Reports to FCTA.** The Director of Public Works [Community Development or Planning], or his/her designee, shall prepare and deliver to the Executive Director of FCTA, periodic reports as will be established under the RTMF administrative handbook.

Section 7: Severability

If any one or more of the terms, provisions or sections of this Ordinance shall to any extent be judged invalid, unenforceable and/or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions and sections of this Ordinance shall not be affected thereby and shall be valid and enforceable.

Regional Transportation Mitigation Fee Schedule

Land Use Category	2009	2010	2011 and thereafter
Residential Developments (\$/dwelling unit)			
Single-Family Dwelling (market-rate)	\$1,200	\$1,450	\$1,727
Single-Family Dwelling (affordable)	\$600	\$725	\$864
Multi-Family Dwelling (market-rate)	\$843	\$1,018	\$1,212
Multi-Family Dwelling (affordable)	\$421	\$509	\$606
Non-Residential Developments (\$/sq.ft.)			
Education	exempt	exempt	exempt
Government	exempt	exempt	exempt
Commercial/Retail	\$1.36	\$1.65	\$1.96
Commercial/Office/Service	\$0.85	\$1.03	\$1.23
Light Industrial	\$0.34	\$0.41	\$0.49
Heavy Industrial	\$0.07	\$0.09	\$0.10
Other Non-Residential	\$0.29	\$0.35	\$0.42