From: Scheibe, Mark
To: Toru Hamayasu (thamayasu@co.honolulu.hi.us)
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Subject: Matching Locally Funded and Federally Funded Projects

Toru,

From what I've been able to learn, including talking to Don Emerson, FTA has never willingly allowed local funds spent on the first segment of a project to be used as local match for a Federally funded subsequent segment. On a couple of occasions Congress has forced FTA's hand. The current example is the Muni Central Subway in San Francisco. To quote from the FY 2006 New Starts Report "Division H of the Consolidated Appropriations Act, 2005, includes language directing FTA to permit Muni to use local funding expended for the construction of the Third Street LRT project as match for the Central Subway. This action reduces the overall New Starts share from 77 percent for the Central Subway project alone to less than 48 percent of the cost of the combined projects, and renders FTA's rating of the project's proposed New Starts share as inapplicable." A somewhat similar case occurred in TEA 21 which stated "In applying the local share evaluation criteria in section 5309, of title 49, United States Code, the Secretary shall compare the aggregate expenditure of state and local funds, including Federal highway funds provided by the State of Maryland, for all phases of the Central Corridor Light Rail project."

According to Don, Houston, Miami and Charlotte have asked and been told no -- not without special legislation like Muni's. He notes, also, to pull this off, the locally funded project would probably have to meet all Federal requirements like NEPA.

On the other hand, use of a locally-funded project as a "good will" gesture does seem to work, with Denver as a prime example. In the FY 1997 New Starts Report the Denver Southwest Corridor line's individual matching ratio was shown in the tables but in the text FTA said "Denver exhibits a strong local commitment to transit. The existing Central Corridor line was built entirely without Federal assistance, and RTD has $26.00 million for the Southwest Corridor in its capital reserve. The total Federal share for the entire system, including the locally-funded starter line, is less than 50 percent."

With respect to Las Vegas, the capital cost of the initial phase of the Monorail is not being used as "match" for the "Downtown Extension." The financial plan for the Downtown Extension, though, is tied into the success of the initial privately-financed segment. The financial plan only anticipated 35% share from New Starts funds. But the next two largest funding sources are a (not-yet-granted) TIFIA loan and local bonds backed by farebox revenues. The plan also anticpated that the TIFIA loan would be primarily paid back using farebox revenues. The expectation was that the completed system (initial phase plus Downtown Extension) would have a farebox recovery ratio of 200%.

Mark