

Transit Costs and Funding

This chapter presents cost and financial analysis information needed to fully evaluate the transit alternatives as provided in the Federal Transit Administration (FTA) requirements for conducting an Alternatives Analysis (AA). Costs and funding information for the I-270/US 15 highway alternatives is included in **Chapter VI**. Transit costs include the one-time capital cost for design and construction, as well as the annual change in operation and maintenance (O&M) costs for the Corridor Cities Transitway (CCT), light rail transit (LRT), and bus rapid transit (BRT) alternatives.

This chapter also discusses the availability and source of funds that will pay for the proposed transit project, including a discussion of the Maryland Transit Administration (MTA) funding mechanisms and future financial outlook, and the strategy for funding the capital cost and O&M costs of the alternatives.

It is important to keep in mind that although the focus of this section is on distinguishing between transit alternatives, the I-270/US 15 Multi-Modal Corridor Study would likely include highway improvements as well as transit improvements as a means for addressing the Purpose and Need for this study.

Capital Costs

Capital cost estimates have been developed in accordance with FTA guidelines. The guidelines call for cost estimates to be prepared and reported using the latest revision of FTA's Standard Cost Categories. They form the basis for the format and structure that is used for the capital cost detail and summary sheets developed for this project. The *Capital Cost Technical Memorandum* (March 2008) provides more detailed discussion on the methodology used to estimate capital costs.

The current FTA Standard Cost Categories consist of the following:

- Guideway and Track Elements
- Stations, Stops, Terminals, Intermodal
- Support Facilities: Yards, Shops, Administration Buildings
- Sitework and Special Conditions
- Systems (power, control, communication)
- Right-of-Way, Land, Existing Improvements
- Vehicles
- Professional Services
- Contingency

Each of the alternatives under consideration for the CCT has a set of conceptual engineering drawings, typical sections, station locations, and/or written descriptions that provide definition for each of the major cost components. These documents form the basis for the infrastructure elements that were used to prepare the capital cost estimates. These facility elements can be classified into one of two broad groups, either typical or non-typical facilities.

Typical facility costs are developed for elements that can be defined by typical sections and applied over a given length of alignment, such as roadbed, track, and catenary power. The typical facility composite unit cost is developed by combining the costs for all of the individual construction elements for a typical section or facility and creating a representative composite unit cost.

Non-typical facilities include elements necessary for overall system operation but which costs cannot be allocated to a specific geographic segment of the system (e.g., vehicles, O&M facility). After details are prepared for both typical and non-typical facilities and the cost data are developed, they are put into a format summarizing overall alternative cost and the cost of various alignment segments.

Contingency

Contingency is the estimated percentage by which a calculated value may differ from its true or final value. The contingency allowance is used to account for items of work (and their corresponding costs) that may not be readily apparent or cannot be quantified at the current level of design. These could include unknown project scope items or a potential project change resulting from public or political issues, or environmental or technical requirements. For the purposes of this study, contingency is divided into two major categories: allocated and unallocated.

Allocated contingency is based on the level of design information available for individual items of work, as well as the relative difficulty in establishing unit prices for these items. The allocated contingency allowance, in the range of five percent to 30 percent, is allocated according to FTA construction or procurement cost categories. The exact percentage selected for each cost category is based on professional judgment and experience related to the cost variability typically seen for items of work within a particular cost category.

Unallocated contingency is similar to allocated contingency in that it is primarily applied as an allowance for unknowns and uncertainties due to the level of project development completed. The major difference is that allocated contingencies are intended to address uncertainties in the estimated construction, right-of-way, and vehicle costs that typically occur as the amount of engineering and design information advances, while unallocated contingencies are typically broader in nature and often address changes in the project scope and schedule. Unallocated contingency is calculated as two to five percent, depending on the cost category.

Professional Services

This cost category includes allowances for preliminary engineering, final design, project and construction management, agency program management, project insurance, surveys and testing, and start-up costs. These allowances are computed by applying a percentage to the total construction cost estimated for each cost

category (excluding right-of-way and vehicle costs). Right-of-way and vehicle costs typically are calculated to include the management and administration costs associated with these activities and are therefore excluded from the calculation of professional services.

Capital Cost Assumptions

Key assumptions affecting the capital cost estimates included in the financial strategy are discussed in the following paragraphs.

The use of roadway right-of-way controlled by the state is assumed to be granted to the project at no cost, except for construction of new facilities and replacement and/or repair of existing facilities. The costs for these property dedications will be shown when available, but will not be included in the final cost for the project.

A hiker-biker trail is proposed in association with the CCT. While the design of the CCT would accommodate this proposed trail, it is assumed that a separate funding program would be undertaken by the local jurisdictions for construction and maintenance of the trail.

The capital cost estimates assume traditional design-bid-build procurement, construction, and equipping for implementing the CCT project, although other means of project implementation could be used, such as design-build.

For reasons of construction, corridor readiness, and/or funding availability, the project could be implemented in stages or phases. At this point, no definitive decision has been made regarding any phasing or staging. Possible initial phases, referred to as minimal operable segments (MOS), could be Shady Grove to Metropolitan Grove or Shady Grove to Germantown. Any initial MOS phase would require a maintenance and storage facility.

Table V-1: Alternatives Capital Cost Estimate (\$Million)

DESCRIPTION	ALTERNATIVE 6.2 TRANSIT TSM	ALTERNATIVE 6A/7A (LRT)	ALTERNATIVE 6B/7B (BRT)
Length (miles)	17.62	13.4	13.4
Number of Stations	13	13	13
Number of Revenue Vehicles	16	29	45
Element Costs (\$Million)			
Guideway and Track Elements	\$0.00	\$202.12	\$140.90
Stations, Stops Terminals, Intermodal	\$17.03	\$20.29	\$17.03
Support Facilities: Yards, Shops, Administrative Buildings	\$0.00	\$55.21	\$14.49
Sitework and Special Conditions	\$27.25	\$88.02	\$87.99
Systems	\$4.94	\$90.18	\$21.52
Construction Cost Subtotal	\$49.22	\$455.82	\$281.93
Right-of-way, Land, Existing Improvements	\$7.38	\$35.00	\$35.00
Vehicles	\$11.36	\$112.20	\$25.66
Professional Services	\$15.75	\$145.86	\$90.22
Unallocated Contingency	\$3.15	\$28.65	\$17.11
Total Project Cost	\$86.86	\$777.53	\$449.92

Note: All costs in \$M (2007 \$)

Capital Cost Estimates

The cost estimates for the LRT and BRT alternatives are presented in *Table V-1* in 2007 dollars. In general, LRT alternatives have higher capital costs than BRT alternatives due to LRT’s need for continuous track, power, and signal systems.

Operations and Maintenance Costs

The O&M cost models developed for this study conform to FTA’s technical guidelines for transit alternatives analysis. Estimating O&M costs for an alternatives analysis involves two major steps:

1. Development of operating plans and estimation of operating statistics for each transit mode included in each alternative, and

2. Development of O&M cost models and their application to the operating statistics obtained in Step 1 to estimate the O&M costs for the new service.

The operating statistics (e.g., vehicle hours, vehicle miles) are derived from the final operating plan for each service alternative after the supply of transit service (number of vehicles operating and passenger carrying capacity provided in a given period) is balanced with the estimated demand (number of passengers in a given period) using travel demand models, a process referred to as *equilibration*. The final operating plan describes the level of service to be provided as part of each alternative, including peak and off-peak service for weekdays and weekends.

The estimating approach used for this study conforms to the FTA’s most recently issued technical guidelines for transit alternatives analysis (*Procedures and Technical Methods for Transit Project Planning: Review Draft*, September 1986 and updates), to the extent possible at this stage of the planning process. The transit cost models use the resource buildup approach methodology recommended by FTA, and the cost models are fully allocated models. This means that they test the effects of system changes (such as expansions of the rail or bus system) on costs of all areas of the agency’s operation and are capable of testing different levels of costs for many individual elements of the operation, including the wages and salaries of operators and maintenance personnel, costs for fringe benefits, and for fuel. The models, which are derived principally using the National Transit Database, follow FTA’s recommended approach of separating and classifying individual expense categories.

Public transportation in the area served by the proposed CCT project is provided by a variety of transit agencies, including Montgomery County Ride-On, Washington Metropolitan Area Transportation Administration (WMATA) and the MTA.

Separate O&M models were developed for Ride-On local bus, MTA BRT and MTA LRT operations. The O&M cost models were validated by comparing them to actual expenditures using recent Ride-On, MTA bus and MTA light rail operating statistics. *The Corridor Cities Operating and Maintenance*

Cost Estimate Report (March 2008) documents the development of the O&M cost models and estimates, including documentation of the data sources and model validation.

The LRT and BRT alternatives involve three elements affecting O&M costs: the costs of operating and maintaining the LRT or BRT service and vehicles; the cost of operating and maintaining the LRT or BRT facilities, including guideways, stations, and other physical components; and the changes in O&M costs from the adjustment of the local bus services along and across the corridor to reflect shifting ridership demand.

O&M Cost Assumptions

The key assumptions affecting the O&M cost estimates included in the financial strategy are discussed below.

The MTA is assumed to be responsible for operation and maintenance of the CCT LRT or BRT services and associated costs.

MTA, WMATA, Montgomery County and other transit operators in the corridor and surrounding region will continue to be responsible for operation and maintenance of their bus and rail transit services and facilities, recognizing that some adjustments to service levels, scheduling and routing (in the case of bus services) may result from implementation of the project.

The cost of operating and maintaining the hiker biker trails built in conjunction with or adjacent to the CCT project would be the responsibility of local jurisdictions.

The O&M cost estimates assume the current practice of operating and maintaining transit services would continue, although other means of operating and maintaining the services and facilities could be used, such as contracting the services to private companies.

As discussed previously in this chapter under Capital Cost Assumptions, the project could be implemented in stages or phases and have a modified operating plan.

O&M Cost Estimates

O&M costs cover the labor and material costs to operate the transit service, such as bus and light rail operators and supervisors. They also cover the costs to maintain the vehicles and guideway, such as vehicle maintainers, track and signal maintainers, station and

vehicle cleaners, and transit police. O&M costs fluctuate by the amount of transit service provided, i.e. frequency of service and the number of vehicles necessary to operate that service. O&M cost models are used to test the effects of system changes, and help differentiate the proposed alternatives.

Table V-2 summarizes the net change in operating characteristics for each of the alternatives compared to the No-Build. Each alternative involves a core transit service operating between Shady Grove and Communications Satellite, Inc. (COMSAT), and adjustments to the background bus service. As described in the discussion of transit operating system features in **Chapter III** and in the *I-270 Multi-Modal Corridor Study Corridor Cities Transitway Detailed Definition of Alternatives* (October 2007) report, the BRT trunkline service supplements existing bus service, with several existing routes operating on the proposed guideway. The guideway in the LRT alternatives replaces sections of several routes, with those buses terminating at an LRT station, and consequently show a larger reduction in background bus operations.

Total estimated O&M costs for the alternatives are shown in **Table V-3**. The costs are derived by multiplying the unit costs for peak vehicles, vehicle miles and hours, and length of guideway (for LRT and BRT) to the operating statistics shown in **Table V-2**.

Financial Strategy

This section summarizes the current strategy for funding and financing a project that may emerge from this AA. It provides background information regarding transportation revenue and expenditures in Maryland, and places the project in the context of the state’s transportation budgeting and capital planning process. The CCT from Shady Grove to COMSAT is included as a project in the Metropolitan Washington Council of Governments (MWCOC) Constrained Long Range Plan (CLRP). The project is also in the State Transportation Improvement Program/Consolidated Transportation Program (STIP/CTP) for ongoing planning through 2013.

Table V-2: Annual Change in Operating Characteristics

ALTERNATIVE	ALTERNATIVE 6.2 TRANSIT TSM	ALTERNATIVE 6A/7A (LRT)	ALTERNATIVE 6B/7B (BRT)
Alternatives Transit Service			
Daily Peak Vehicles	9	24	31
Annual Vehicle Revenue Miles	585,980	1,401,488	1,598,200
Annual Vehicle Revenue Hours	38,200	81,312	94,250
Track Miles	0	26.6	--
Guideway Miles	0	--	26.6
Background (Other) Bus Services:			
Daily Peak Vehicles	29	6	29
Annual Vehicle Revenue Miles	1,514,200	143,500	1,514,200
Annual Vehicle Revenue Hours	64,750	6,500	64,750

Table V-3: Annual O&M Costs by Alternative

ALTERNATIVE	ALTERNATIVE 6.2 TRANSIT TSM*	ALTERNATIVE 6A/7A (LRT)	ALTERNATIVE 6B/7B (BRT)
LRT	--	\$26,985,700	--
BRT	\$5,842,400	--	\$17,907,850
Background Bus	\$8,950,950	\$1,143,400	\$8,950,950
Total	\$14,793,350	\$28,129,000	\$26,859,800

*Refers to core bus service operating from Shady Grove to COMSAT and stopping at all CCT stations.

Transit Funding in Maryland

The MTA is unusual as a transit agency in that it is part of the Maryland Department of Transportation (MDOT) and the non-federal share of transit expenditures, both capital and operating, is typically funded by the State. Transit is one of several modes that is funded using the Maryland Transportation Trust Fund (TTF). The TTF was created in 1971 to provide a dedicated source of revenues to support state transportation. The fund supports all of the department’s activities including debt service, modal agency operations, and capital projects.

All state revenues for transportation are collected through the TTF, including taxes, user fees and charges, bond proceeds, federal aid, and operating receipts. Highway toll revenues are collected by the Maryland Transportation Authority and are not included in the TTF.

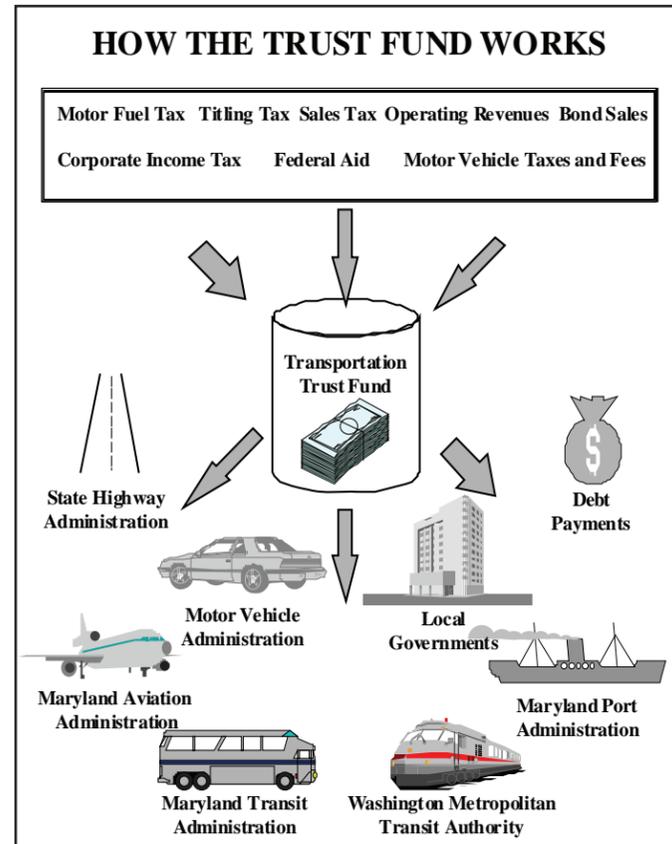
Several sources of revenues make up the TTF. They include the following:

- Motor vehicle fuel tax of 23.5 cents per gallon of gasoline, 24.25 cents per gallon of diesel fuel, and seven cents per gallon of aviation fuel
- Motor vehicle registration and other fees
- Motor vehicle title tax of six percent of the fair market value of new and used vehicle sales and those of new residents
- Corporate income tax – 21 percent of the State’s 8.25 percent corporate income sales tax
- Operating revenues from Maryland transit fare boxes
- Beginning in 2009, 6.5 percent of the six percent state sales and use tax will be dedicated to the TTF and is estimated to be \$1.6 billion over the six-year period covered by the MDOT capital program
- Maryland Port Administration terminal operations, Maryland Aviation Administration flight activities, fees, parking, and concessions

- Federal funds authorized by the US Congress. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) legislation authorized \$720 million in annual funds to the department; \$580 million in highway programs and \$140 million in transit funds.

The TTF is predominantly comprised of motor vehicle and other user fees. These offer a stable source of revenue for MDOT, a source that typically grows at a modest rate each year. However, because the motor vehicle fuel tax is a flat fee, rather than charged as a percentage of retail prices, revenues from that source do not grow with inflation. Similar to most revenue sources at the State, local and federal levels, the TTF will fluctuate in response to economic conditions. *Figure V-1* shows how the TTF works.

Figure V-1: Transportation Trust Fund Overview



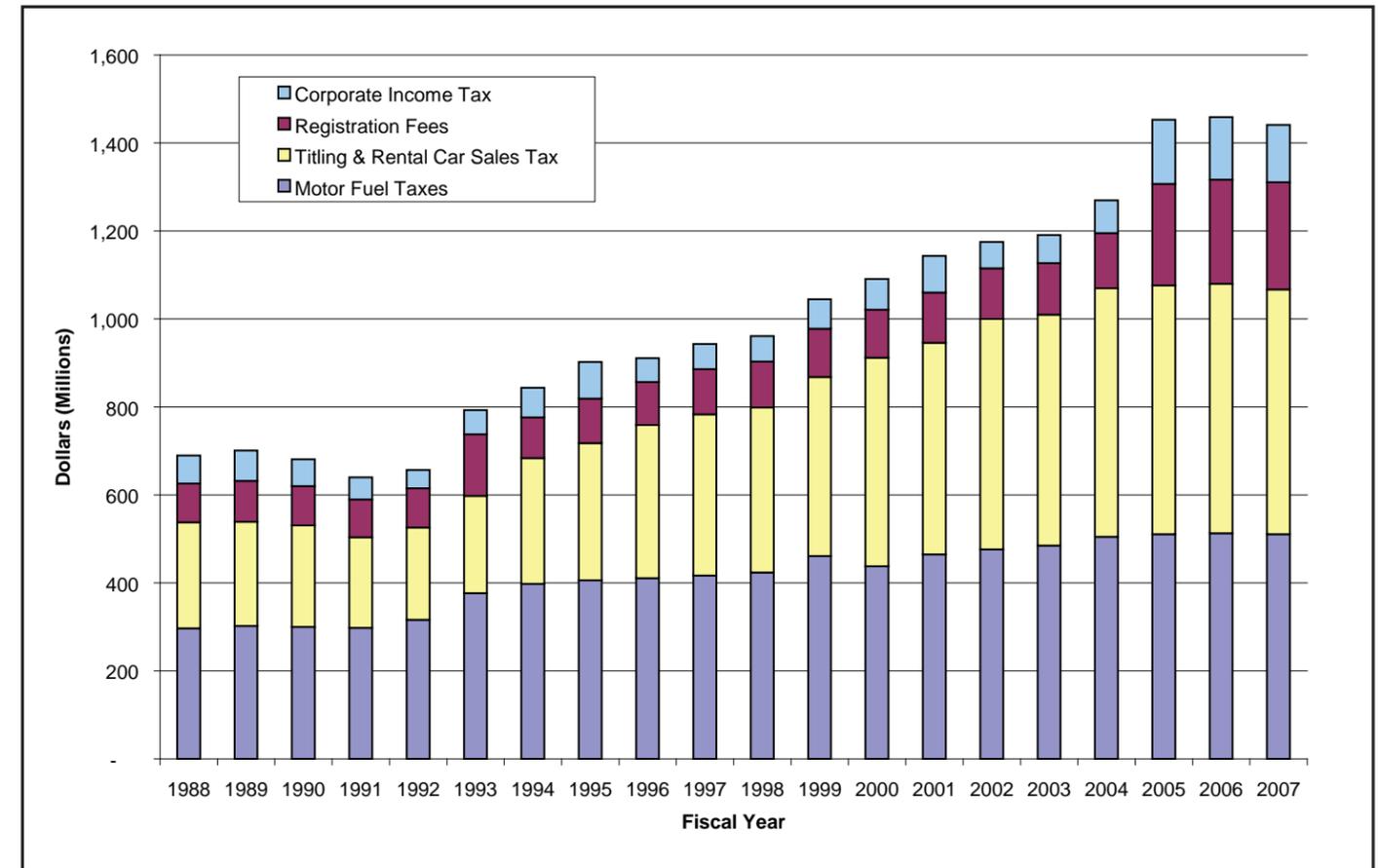
Allocation of TTF funds is determined by the Maryland Secretary of Transportation and approved by the Governor and the General Assembly. A target fund balance of \$100 million is maintained to provide for MDOT’s working cash flow requirements.

Maryland is considering a number of major transit capital investments in addition to the CCT, including the Red Line Corridor in Baltimore and the Purple Line Transitway in Montgomery and Prince George’s Counties, as well as a major MARC expansion (the commuter rail system in Maryland serving the Baltimore-Washington area). In addition, high priority is being given to existing transit system preservation and rehabilitation. Along with transit needs, substantial funding needs exist for highways and other transportation systems supported by the TTF, which will require decisions regarding revenue increases for the TTF, other sources of revenue, and prioritization regarding the scale and timing of the projects for the transit corridors.

Figure V-2 illustrates the annual TTF revenue from 1988 to 2007. The last time the 23.5 cent per gallon gasoline tax was raised in Maryland was 1992. Revenues in the Trust Fund, although growing at a relatively steady rate, were simply not keeping up with the State’s transportation needs. An increase in Motor Vehicle registration and titling fees in 2004 helped increase trust fund revenues starting in fiscal year 2005. However, even with these increased estimates, MDOT projected a potential \$1.5 billion transportation funding shortfall by 2008 and a \$40 billion shortfall over the next twenty years. This projected shortfall is attributed in particular to growth in the transportation system and system demand, increased needs for maintenance to the existing aging infrastructure, including bridges, roads, transit rolling stock and facilities, and increasing costs that are growing at a rate that exceeds inflation.

During a Special Session of the Maryland General Assembly held in late 2007, the General Assembly passed, and the Governor signed, a combination of revenue enhancements that increased TTF revenues by more than \$400 million a year. These funds have been programmed in the 2008 CTP that allocates funding to capital projects for fiscal years 2008-2013. A substantial portion of the revenue increase was dedicated to the

Figure V-2: 1998 – 2007 Transportation Trust Fund Revenue



State’s transit program. The CCT received \$80 million of the revenues from the increase. This money should be sufficient to take the project through completion of preliminary engineering and into final design.

Historically, transit has received approximately 35 percent of the TTF over a given six-year capital program with considerable variation between capital programs depending on the specific projects in the program. In FY 2007, transit accounted for 25.3 percent of the TTF expenditures with 18.6 percent allocated to MTA and 6.7 percent allocated to WMATA. The high percentage of the revenue increase allocated to the MTA for its transit program, including the specific \$80 million allocation to the CCT, demonstrates a strong commitment to the growth and viability of the State’s transit program.

Despite the recent influx of State revenues to the TTF and transit in Maryland, the State anticipates inadequate funds to accommodate the State’s considerable growth plan for transit, including the implementation of three major capital investment projects (the CCT, the Purple Line, and the Baltimore Red Line). Therefore, the MTA is developing a plan that combines the staggering and phasing of projects with a program to capture additional revenues from local governments and other sources. The intent is to have funds available to meet capital and operating costs of New Starts projects, as well as a range of additional system enhancements to improve system preservation and operations of the existing transit system and its general operating obligations.

This strategy is in the process of being developed by MDOT, along with a specific implementation plan. Beyond state funds, the remainder of the funding would come from federal, county, and possibly private-sector sources. It is expected that Montgomery County would provide capital funds for construction of the CCT in addition to right-of-way contributions, easements, and ancillary roadway and trail facilities.

Montgomery County Funding

Montgomery County is a member jurisdiction of WMATA through the Washington Suburban Transit Commission (WSTC). WSTC was created in 1965 by the General Assembly of Maryland. The WSTC appoints members of the WMATA board of directors for each of the two member jurisdictions in Maryland and is tasked with developing mass transit programs in Montgomery and Prince George’s Counties.

WMATA was formed through an interstate compact among Maryland, Virginia and the District of Columbia, with the consent of Congress in 1967. WMATA provides Metrobus and Metrorail service to Montgomery County, as well as the remainder of the Washington region. Mass transit has become an integral part of the transportation network of the county with present services provided via a number of Metrobus and Ride-On routes and Metrorail Red Line.

In 1980, federal legislation authorizing funding for the Metrorail system required the local governments in the Washington region to develop a “stable and reliable” source of funding for the local costs required to build and operate mass transit systems. Montgomery County satisfied that requirement because it had already, in 1965, established a Mass Transit Facilities Fund that receives revenue from a county real estate tax dedicated to transit, as well as State aid.

Proceeds from the local property tax are currently the main source of funding for transit services which goes to funding local bus service, including Ride-On bus service, and the county’s local share of WMATA’s capital and operating costs, bus operations, rail operations and debt service.

Potential Private Sector Funding

The private sector is a potential source of funding, especially in areas that are undergoing, or are expected to undergo, future land development changes. The FTA has adopted policies that give special interest and preference to transit projects involving private sector participation. This includes station area joint development projects and private value capture financing techniques to assist in funding the capital and/or operating and maintenance costs of transportation improvements. Joint development is any development that is physically and/or functionally related to transit station areas. Value capture is the technique or mechanism used to “capture” a portion of the incremental value created on land and improvements associated with the transit system.

MDOT, WMATA, and Montgomery County have recent experience in both joint development and value capture mechanisms. Specific policies and value capture mechanisms utilized by MDOT include leasing of transit agency owned land for air rights development, right-of-way contributions, developer “in-kind” contributions, and lease arrangements. WMATA derives significant value capture revenues through leasing transit-owned property for air rights development and has also obtained limited revenues through developer cost sharing arrangements and connector fees. Montgomery County has many of the zoning and policy tools in place to promote station area development (i.e., transit district overlay zone process) and is experienced in determining the prorated cost share for off-site facilities that developers must proffer in transit districts.

A variety of joint development and value capture mechanisms offer the potential to contribute to the capital, operations, maintenance, and funding of the CCT:

- **Transit District Overlay Zone (TDOZ)** – This mechanism has been established in Montgomery County to promote coordinated and integrated development schemes around transit stations through the District Overlay Zoning process. A designated transit district includes specific land uses and densities for areas around transit stations including the distance from the station locations.

- **Right-of-Way Contributions** – This category includes the contribution of privately or publicly owned land that is needed for the transit improvement’s right-of-way, station areas, or support facilities.
- **Developer Dedication/Proffers** – This category includes the amount developers might be willing to pay for off-site facility improvements associated with transit station area development. The amount of potential proffers is based upon the increase in residual land value that is expected to occur as zoning allows developers to build at a higher density than would otherwise occur without transit service.

While there are no committed sources or amounts of capital or operating and maintenance funding support from these private sector sources, the MTA, Montgomery County, and the Maryland-National Capital Parks and Planning Commission (M-NCPPC) will continue to look for private sector funding opportunities.

Private sector funding contributions would most likely come from development projects adjacent to CCT stations, particularly Crown Farm, Decoverly, Quince Orchard, Metropolitan Grove (existing MARC station), Germantown and COMSAT. Contributions are typically targeted toward stations, transit right-of-way, and enhancements along the alignment.

Federal Aid

The US Department of Transportation (USDOT) is a prime source of funding major transportation infrastructure construction, especially for interstate highways and transit. The principal source for transit major capital investments is the FTA’s New Starts program discussed below. A number of other federal programs have the potential to provide some funding for enhancement and associated components of a CCT Locally Preferred Alternative (LPA) and will be explored further once the LPA is selected.

New Starts

The FTA’s discretionary New Starts program is the federal government’s primary financial resource for supporting locally planned, implemented, and operated major transit capital investments. The New Starts

program funds new and extensions to existing fixed guideway systems, including commuter rail, light rail, heavy rail, BRT, trolleys, and ferries. For the five-year period FY 2005-FY 2009, the New Starts program is authorized at \$7.4 billion (\$1.5 billion per year average). The New Starts program is funded at about 16 percent of the total federal transit funding for FY 2005-FY 2009 (\$45.3 billion). To qualify for federal funding, transit New Starts projects must be authorized by the US Congress in the Surface Transportation Authorization Act, which occurs every five or six years. The current authorization act (SAFETEA-LU) is in effect through FY 2009. The allocation of federal funds for specific transit New Start projects occurs in the annual Transportation Appropriations Act. Congress earmarks transit New Start discretionary funds to various projects throughout the country. The bulk of projects that obtain federal transit discretionary funding earmarks are those projects that are in FTA’s Full Funding Grant Agreement (FFGA) process. In fact, FTA’s FY 2007 budget request to Congress includes \$1.228 billion (92 percent of the total request) for New Starts projects in the FFGA pipeline and \$102 million for other projects (eight percent).

Due to intense competition for federal transit funding, the federal share for transit New Starts projects has steadily declined over the past 10 years. Although the law allows an 80 percent federal share for New Starts projects, the trend has been to limit federal funds to around 50 percent. Funding for transit projects in Maryland is an excellent example of this change in that the original Washington Metrorail system received 100 percent federal funding. When the Baltimore Metro was built, it received 90 percent federal funding. In the 1990s when the Baltimore Central Light Rail Line was built, it received 80 percent federal funding compared to the recently completed Metrorail Largo extension that received 60 percent federal funding. Because requests for this funding assistance far outstrip the available funds, projects from around the country compete against each other for funds. In recent fiscal years, the Congressional Appropriation Committee has been limiting the federal share to 50 percent and nearly all project requests for federal assistance are in this range.

For transit projects seeking federal funds, the agency sponsoring a locally selected transit project submits a “New Starts Criteria” package to FTA to get the project into the “funding pipeline.” This package is first developed after the AA is completed and an LPA is selected, and prior to the request to enter the Preliminary Engineering (PE) phase. The package provides information describing the proposed project and information about a number of criteria used to rate the project against other projects from around the country competing for the limited pool of Section 5309 New Starts funds. These criteria include the following:

- Mobility improvements (travel time savings, low income households served)
- Environmental benefits
- Operating efficiencies (operating cost per mile)
- Cost-effectiveness (transportation system user benefits)
- Transit-supportive land use patterns, policies, and programs
- Local financial commitment
- Economic development

Under the provisions of SAFETEA-LU, for each of these categories, a project receives a rating on a five-level scale from “high” to “low” with “medium-high,” “medium” and “medium-low” being the intermediate ratings. Each of these individual ratings is then combined into one overall project Summary Rating on a similar five-level scale from “high” to “low.” Only those projects rated “medium” or higher, overall, may be advanced through the New Starts project development process and be considered for funding. A “medium” overall project rating requires a rating of at least “medium” for project justification and for local financial commitment. If a project receives less than a “medium” rating for either project justification or local financial commitment, the highest overall Summary Rating it can achieve is a “medium-low.” A project must receive an overall rating of at least “medium” to be admitted into Preliminary Engineering or Final Design, or to receive funding. FTA no longer rates projects as “highly recommended,” “recommended,” or “not recommended” for funding. A project must still go through the administrative and political steps of the Executive and Congressional budget and appropriations process.

Another key variable is the local financial commitment, which focuses on the availability and reliability of local funding sources for capital construction and operating and maintenance costs, as well as the overall amount and share of project cost being requested from the federal Section 5309 New Starts program. Maryland has historically rated very well in these areas.

A project emerging out of the AA phase with a selected LPA that is in the state’s CLRP and receives at least a “Medium” overall New Starts rating is eligible to submit a “Request to Initiate Preliminary Engineering.” During the PE phase, the project will complete detailed planning and conduct preliminary engineering, complete the federal and state environmental review processes (environmental impact statement), and prepare project management and financial plans. At the completion of the PE phase, the New Starts Criteria package for the project is updated and submitted for rating and recommendation. After receiving a New Starts rating from FTA, the project would submit a “Request to Initiate Final Design.” In this phase, final construction plans are developed, and property acquisition and construction and equipment procurement occur that eventually lead to the start of operations. A key element of this phase is negotiating a FFGA between the sponsoring agency and FTA regarding the amount and payout schedule for the federal share of funds.

The CCT, Purple Line and Baltimore Red Line are potential New Starts projects in Maryland. None of these projects have selected an LPA and, therefore, none have submitted a “New Starts Criteria” package to FTA for rating. Since these projects have not been rated, they are not officially in the New Starts pipeline and have yet to submit a “Request to Initiate Preliminary Engineering.” The Purple Line and the Red Line Corridor Transit Study are in the AA phase, and the CCT project is at the stage of updating its environmental documentation and, subsequently, selecting the LPA for the transit component of the project.

The current SAFETEA-LU authorizing legislation expires in FY 2009 at which time it is expected that a successor authorizing legislation would be passed by Congress and signed into law. The candidate Maryland

New Starts projects, including the CCT, would be seeking capital funding authorized in this successor legislation.

Capital Funding Strategy

A number of decisions will affect the amount and timing of the funding required for building and operating the CCT. First, the decision on the LPA which will establish the overall level of capital funding needed. It is possible that the LPA may be a modification of an alternative considered in this document in terms of location of the terminal stations, the number and location of stations and other components of the project definitions. The other decision is the timing of the construction and start of operations, including initiation and phasing/staging of construction. Major influences on the timing will be the availability of funding, especially the state funding, and the state priorities relative to the other New Starts projects.

MDOT will seek Federal Section 5309 New Starts funding for the LPA. While up to 80 percent of the project costs can be covered by the New Starts program, it is expected that MDOT will be seeking between 50 and 60 percent. The majority of the non-New Starts funding is expected to come from the Maryland TTF. Capital fund contributions, above right-of-way and related property and easement contributions, are expected from Montgomery County. Non-New Starts federal funding will be sought for various enhancements, such as trails and roadway, railroad and transit-oriented development improvements, where eligible.

Montgomery County has long recognized the importance of contributing to the CCT project. A number of right-of-way purchases and easement contributions are already in place by the county. And, a special task force of local officials and institutions has been convened by Johns Hopkins University, a local property owner and project stakeholder, for the sole purpose of exploring revenue options as contributions to the project.

The MTA will aggressively pursue private sources of funding where appropriate. At a number of stations areas, there is the potential for developer contributions for stations and the adjoining area, specifically at Crown

Farm, Decoverly, Quince Orchard, Metropolitan Grove (existing MARC station), Germantown and COMSAT.

As discussed earlier, a special session of the Maryland General Assembly enabled a number of revenue enhancements that include a \$400 million per year increase in revenue to the TTF in late 2007. In January 2008, the Governor announced that \$80 million was committed to the CCT.

It is expected that further TTF revenue increases will be pursued over the next several years to fund the New Starts projects as well as other priority transit projects in Maryland, including system preservation and MARC improvements. While one possible scenario is to increase revenue to the Maryland TTF, other jurisdictional or institutional revenue and funding mechanisms are possible, such as special transit improvement districts, or local option funding. It is expected that funding for the CCT LPA and other priority New Start Projects will be in place by 2011.

O&M Cost Funding Strategy

The MTA is anticipated to operate the CCT. As is the case for existing MTA services, that portion of the annual operating and maintenance and associated costs not covered by fare revenues, i.e., the operating subsidy, would be funded by the TTF. As part of the State-level revenue enhancement for capital funding, other sources and mechanisms for providing the operating subsidy may be considered, including possible county contributions.

Conclusions

The capital cost funding and annual operating cost subsidy for the CCT would be funded from a package of federal, state, county and possible private sources. It is expected that 50 to 60 percent of the capital funding will be sought from the federal New Starts program. While other federal, county and private sources will contribute to the remainder of the capital funding needs, the State of Maryland would be the principal source. Recent revenue increases and programmatic commitments will cover the funding needed to bring the project into final design. It is expected that further revenue increases and funding mechanisms will be in place by 2011 to fund the implementation and operations of the CCT LPA.