Waxing Needs
Waning Revenues

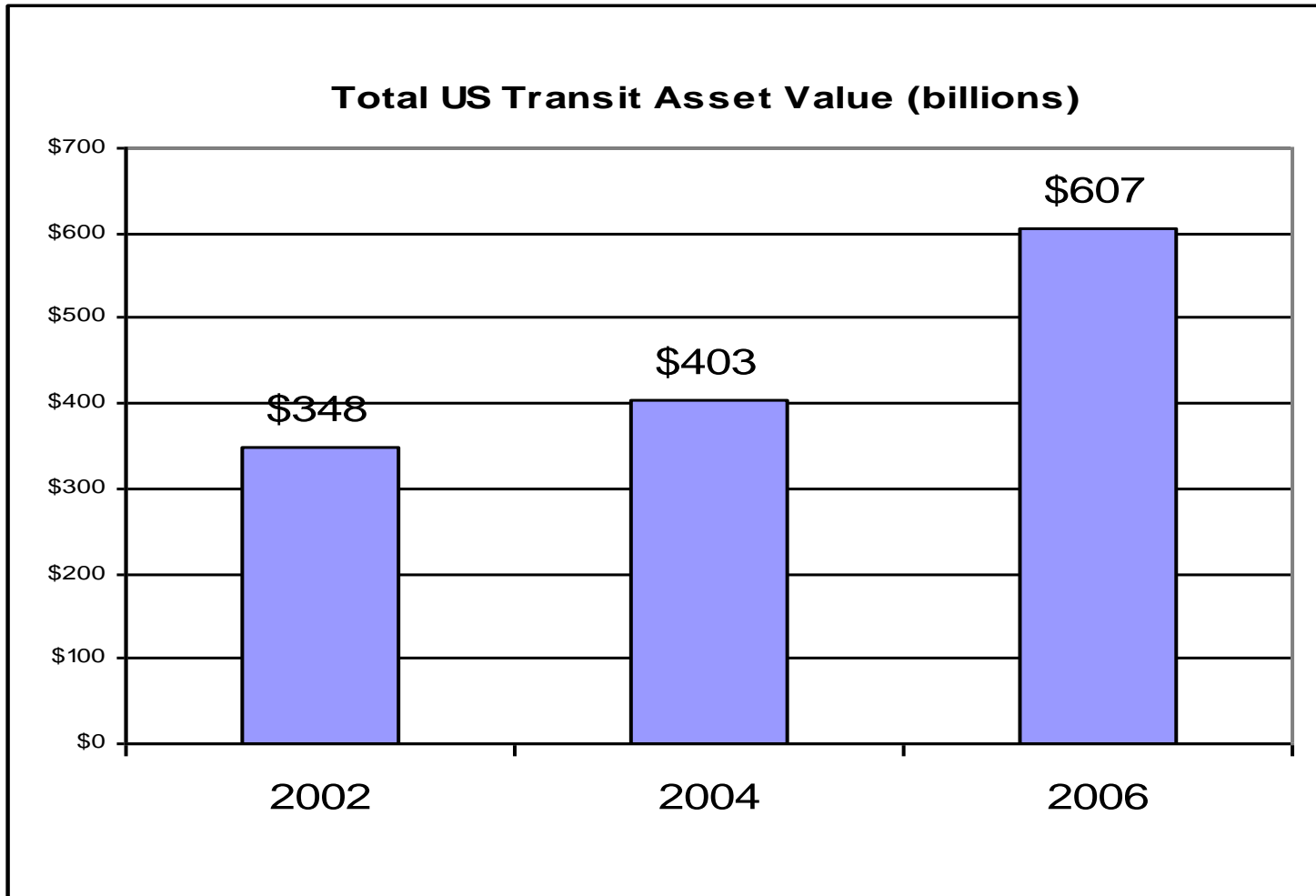## Trends and Prospects in Federal, State, regional, and local finance

**Therese McMillan
FTA Deputy Administrator**
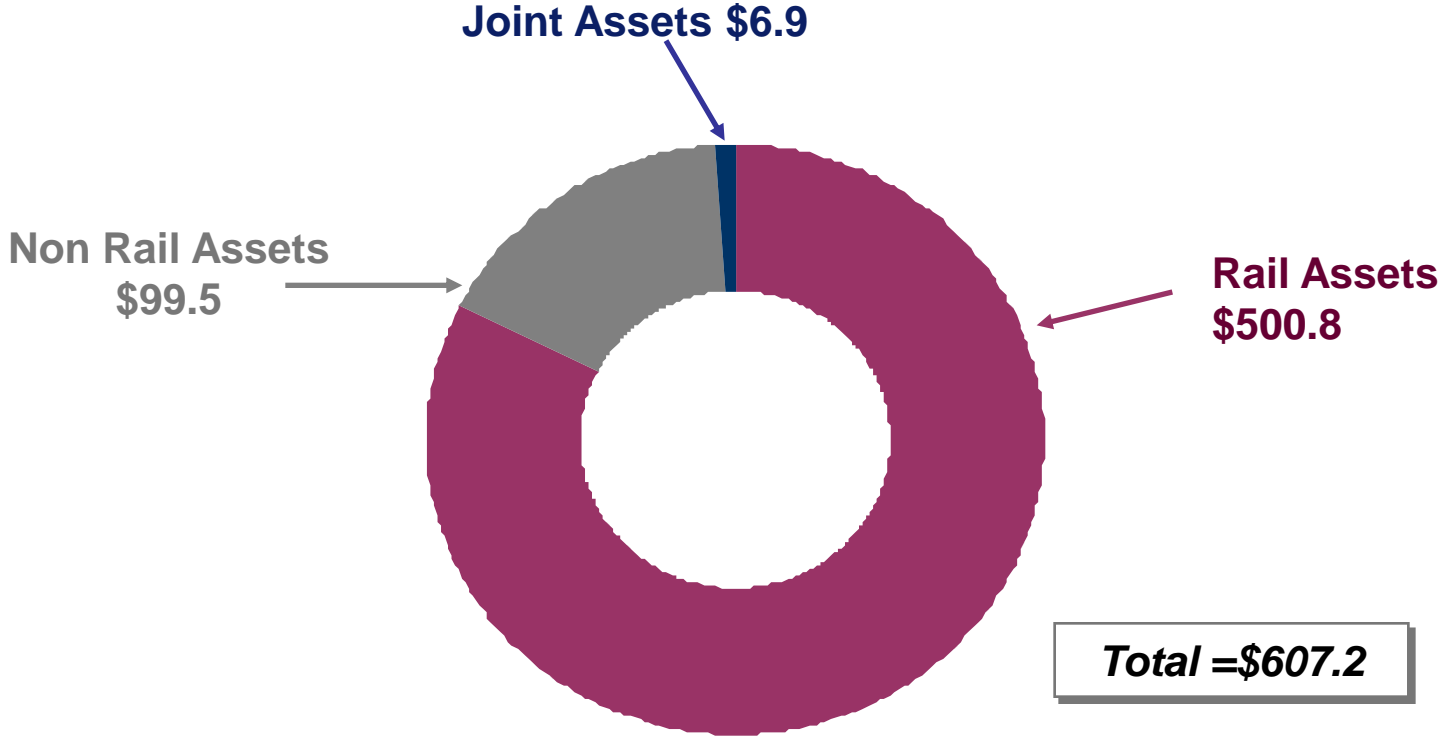
The Transportation - Land Use - Environmental Connection

Oct. 18, 2009
UCLA Conference Center, Lake Arrowhead, California
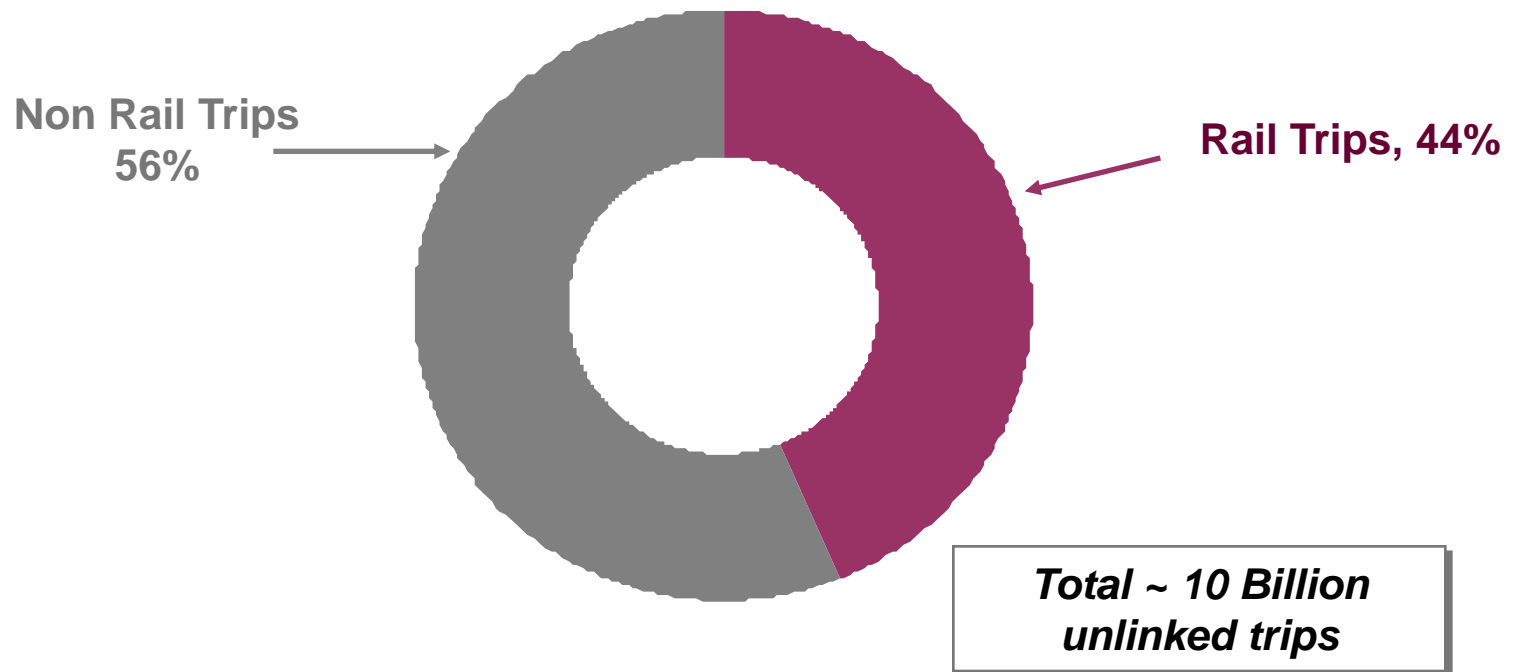
$607 Billion in Transit Assets to Maintain

Total US Transit Asset Value (billions)

Year	Value
2002	$348
2004	$403
2006	$607

Estimated Replacement Value of U.S. Transit System Assets

Joint Assets $6.9

Non Rail Assets $99.5

Rail Assets $500.8

Total = $607.2

Billions of 2006 $

Passenger Trips on U.S. Transit Systems

Non Rail Trips 56%

Rail Trips, 44%

Total ~ 10 Billion unlinked trips

Definition of State of Good Repair (SGR)

– "SGR" defined using FTA's numerically based conditions rating system

– An agency is in a state of good repair when the physical condition of all assets owned by an agency is at or above a condition rating of 2.50

– The state of good repair backlog is the amount required to rehabilitate and replace all assets with an estimated condition of 2.50 or less

FTA's Condition Rating System

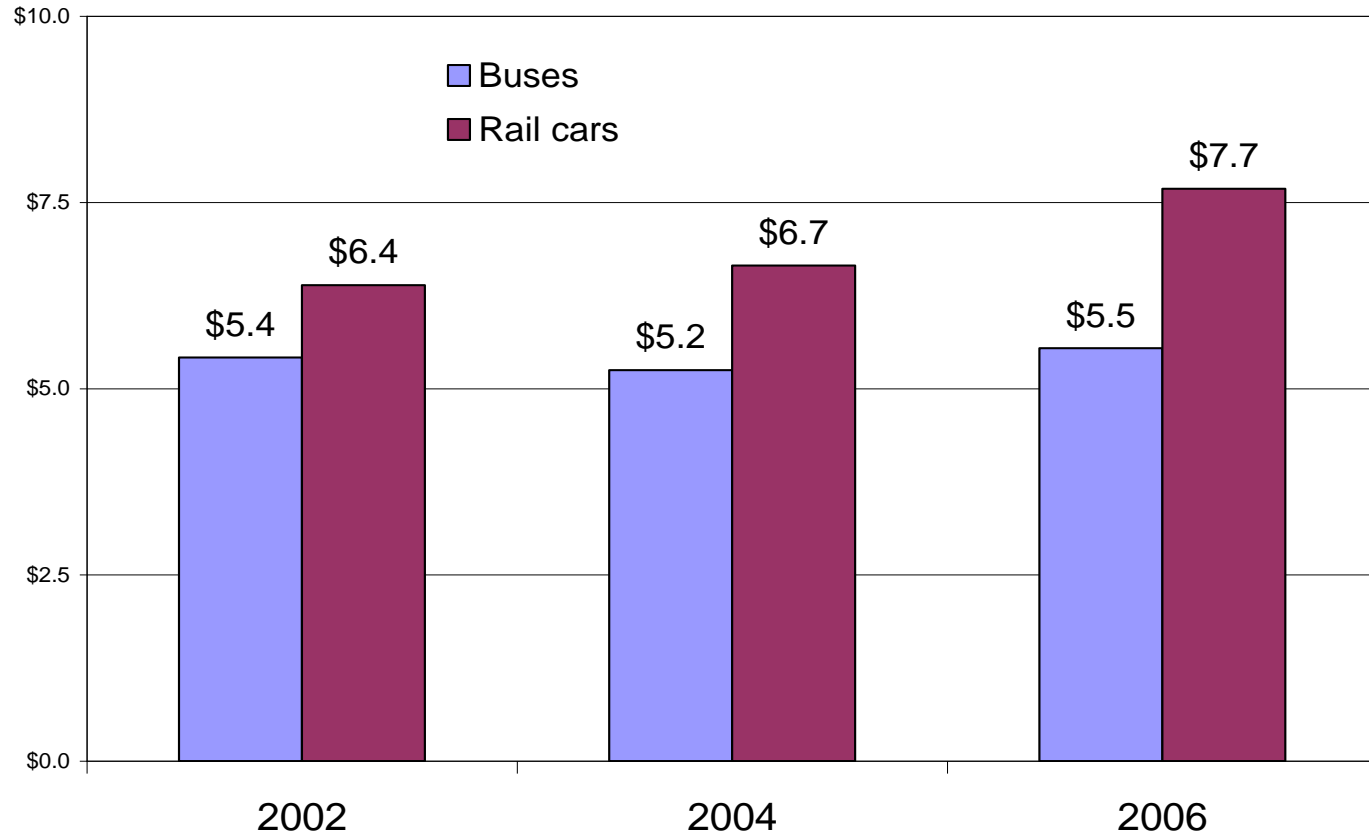| Condition	Ratings	Description
Excellent	5.0 to 4.8	New asset; No visible defects
Good	4.0 to 4.7	Asset showing minimal signs of wear; Some (slightly) defective or deteriorated component(s)
Adequate	3.0 to 3.9	Asset has reached its mid-life (condition 3.5); Some moderately defective or deteriorated component(s)
Marginal	2.0 to 2.9	Asset reaching or just past the end of its useful life (reached between condition 2.75 and 2.5); Increasing number of defective or deteriorated component(s) and increasing maintenance needs
Poor	1.0 to 1.9	Asset is past its useful life and is in need of immediate repair or replacement; May have critically damaged component(s)

Sample Average Asset Conditions
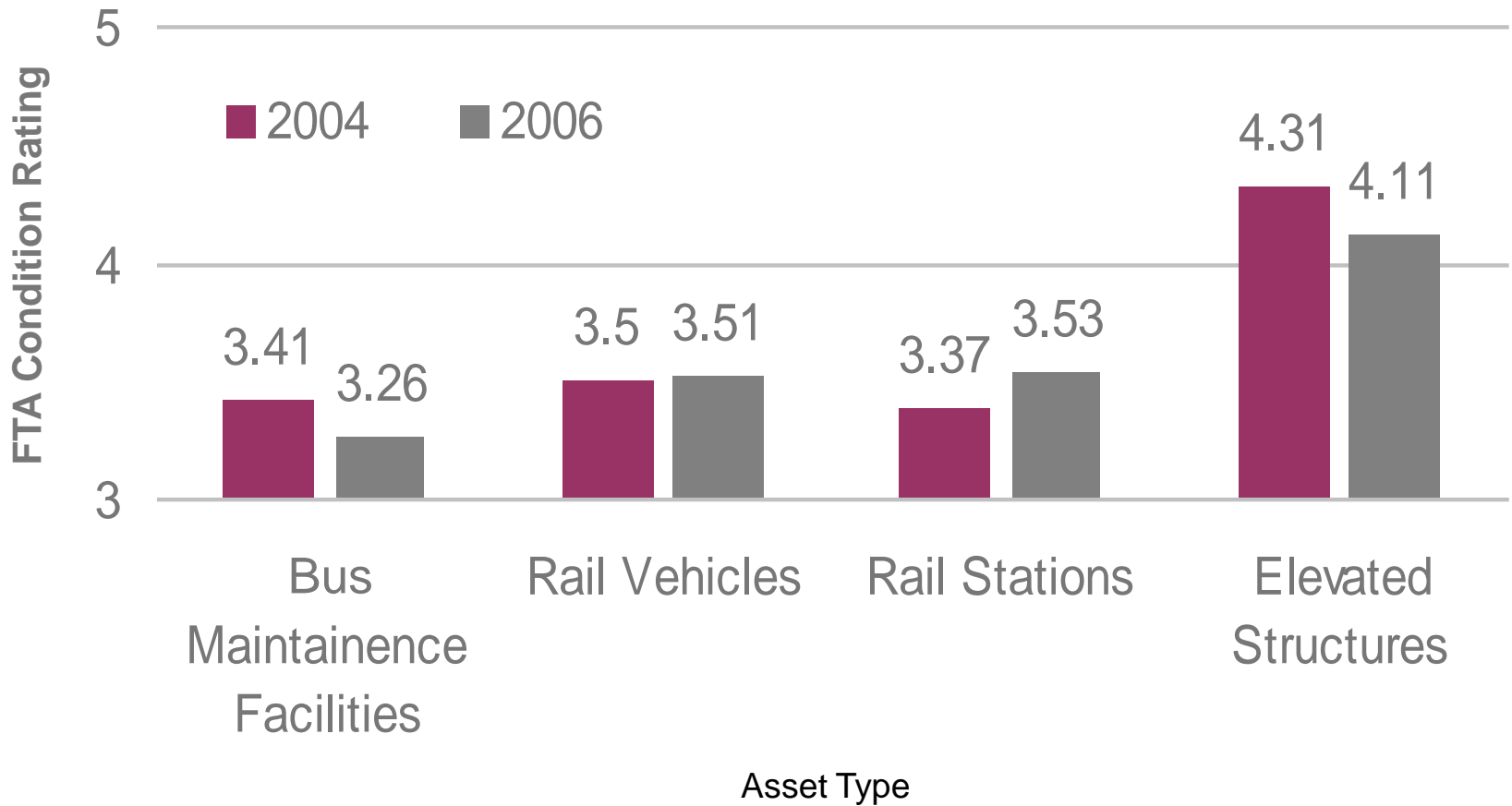
Bus lifespan is 12 years, Rail car lifespan is 25 years

% of Vehicles Needing Replacement
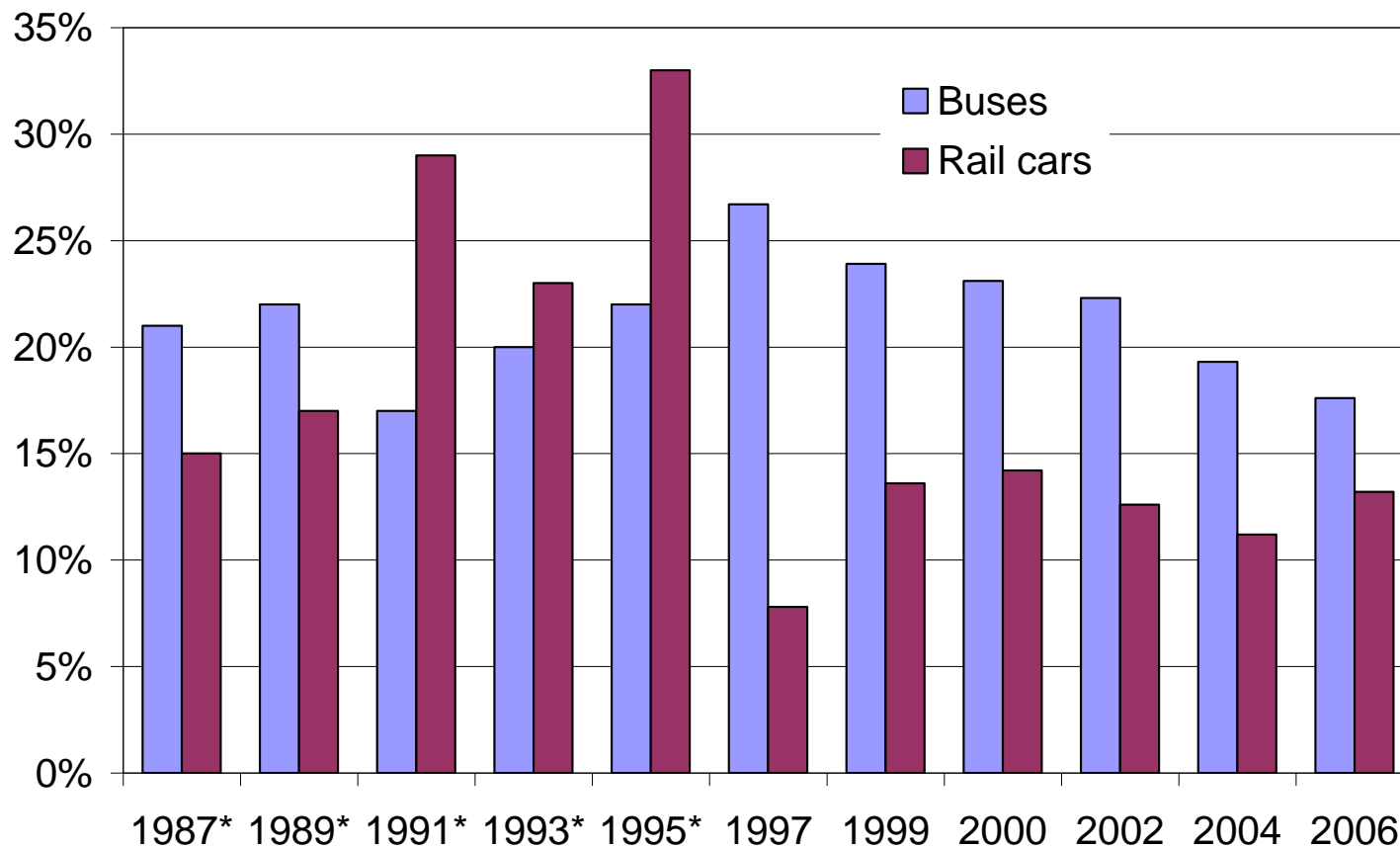
Large Backlog in Replacement and Rehabilitation
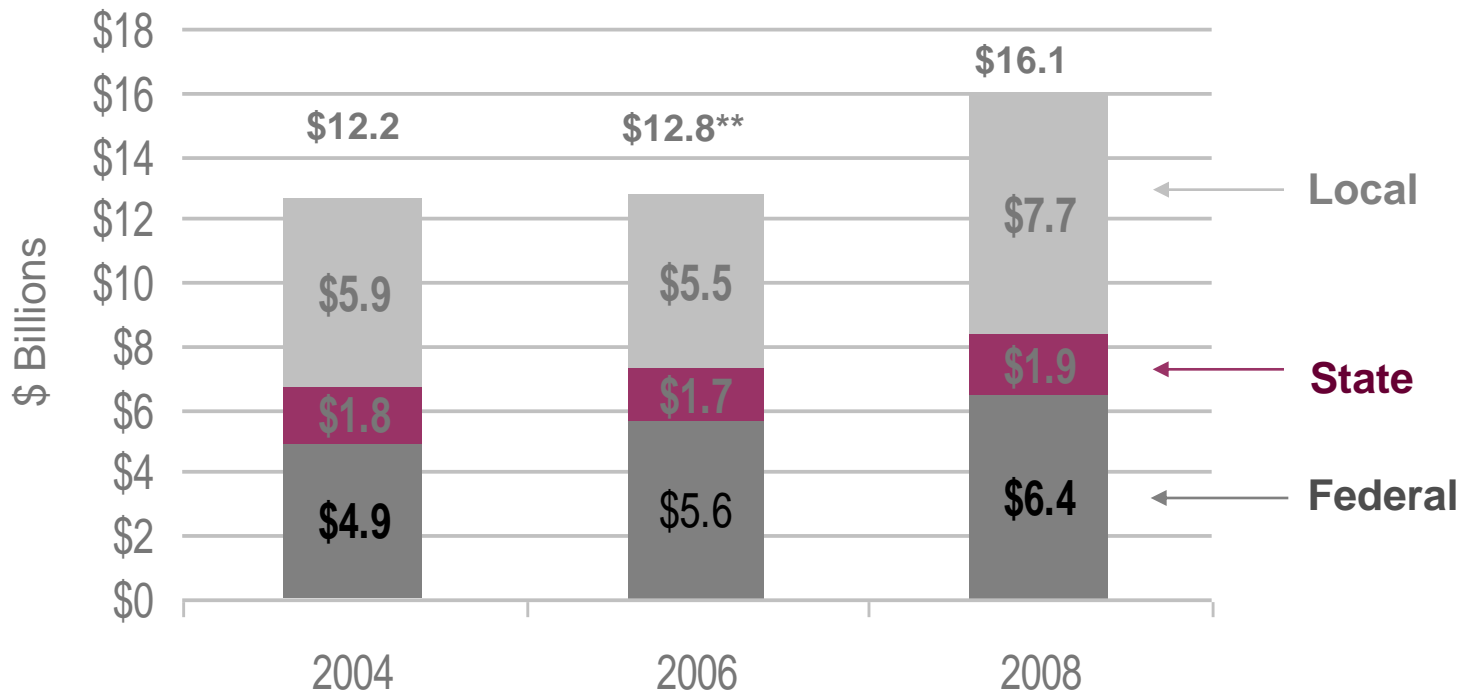
Billions in Overage Vehicles   (~15% of all assets)

Bar chart legend:
- Buses
- Rail cars

Year	Buses	Rail cars
2002	$5.4	$6.4
2004	$5.2	$6.7
2006	$5.5	$7.7

Impact of Rehab-Replacement Investment on Transit Conditions (Urban and Rural Agencies)

Funding Gap: $2.1 B

National Average Condition 2026

Current Average Conditions: 3.55

Current Annual Capital Investment: $9.3 B

Annual Investment needed to Maintain Conditions to 2026: $11.4 B

Annual Expenditure for Rehab & Replace (no expansion or improvement) in billions of 2006 dollars
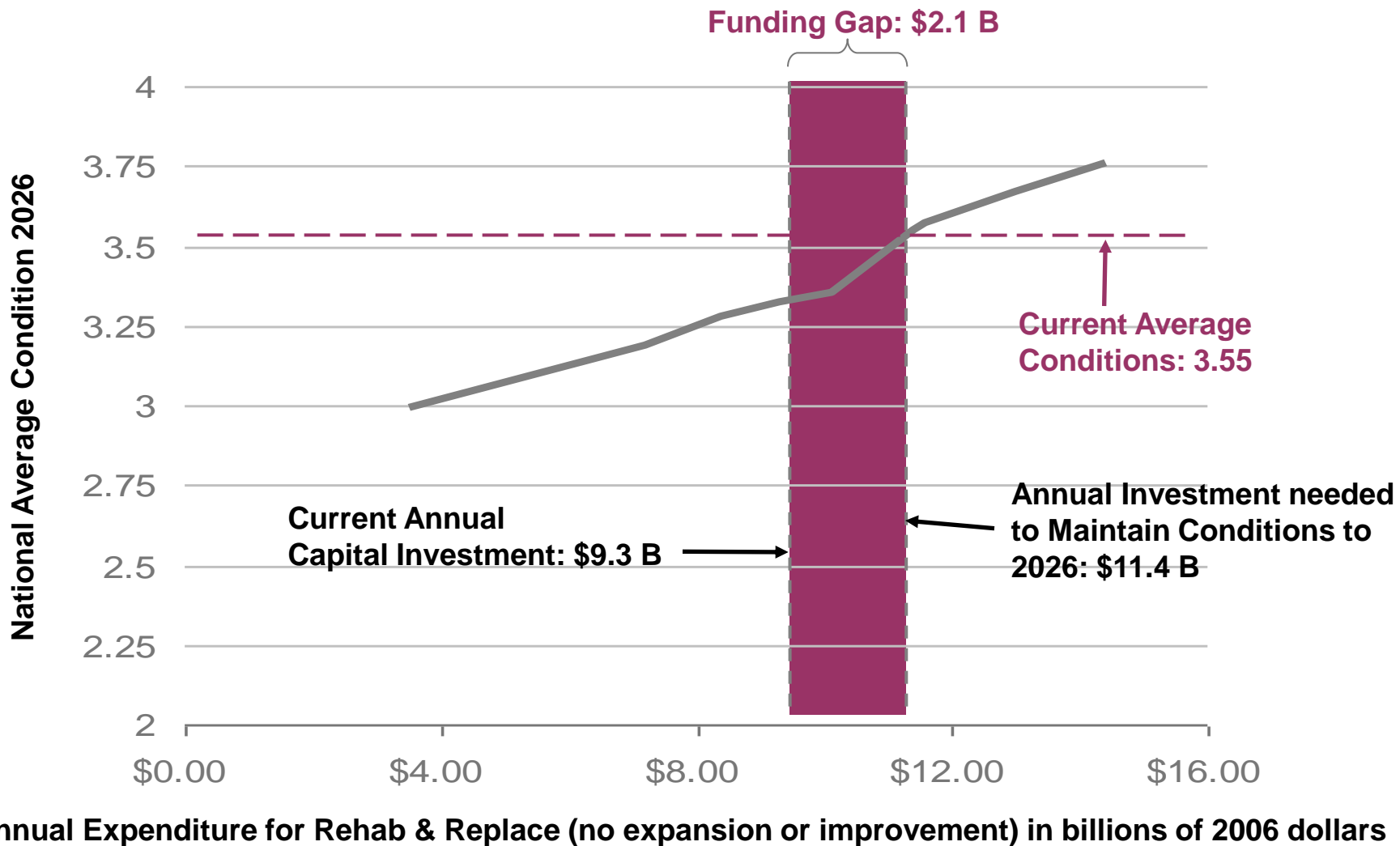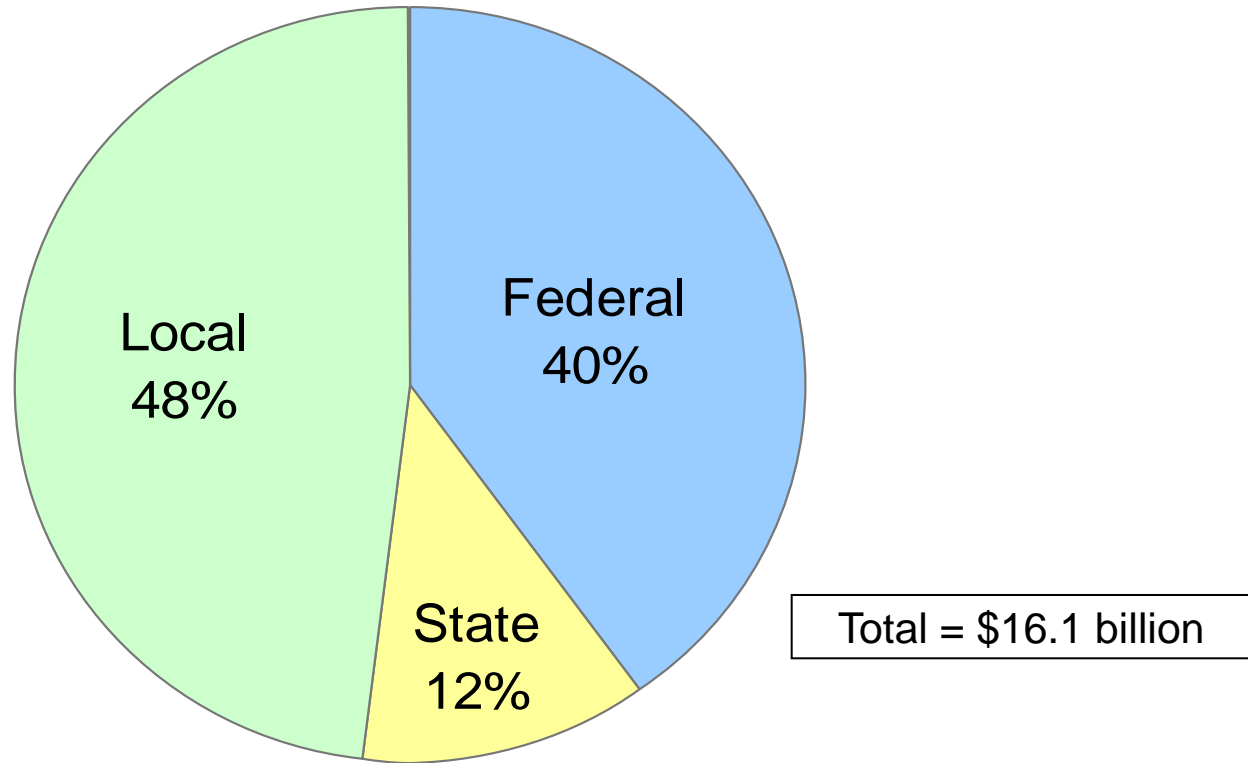
Transit Capital Investment Funding* Sources

*Includes Expansion and Performance Improvement Investments (**$3.5 B in 2006)
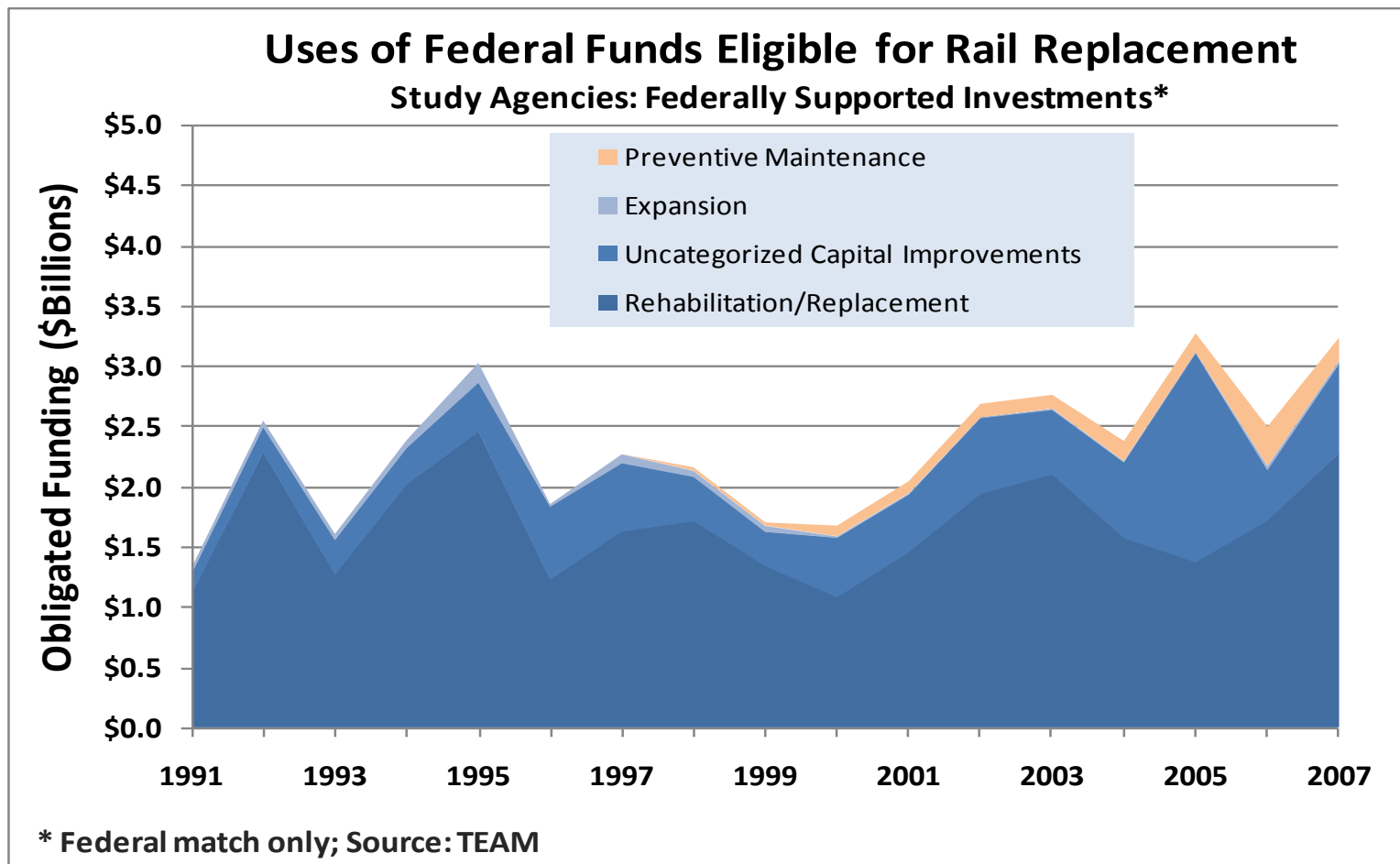
Federal, State & Local Partnership

Transit Capital Investment Sources (2008)

Trends in uses of Federal Funding
(data from 7 largest rail agencies)

— Federal capital reinvestment from 5309 Fixed Guideway and 5307 grants

— Most funding is applied to rehab/replacement activities

Uses of Federal Funds Eligible for Rail Replacement
Study Agencies: Federally Supported Investments*

Legend:
- Preventive Maintenance
- Expansion
- Uncategorized Capital Improvements
- Rehabilitation/Replacement

Y-axis: Obligated Funding ($Billions)

X-axis years: 1991, 1993, 1995, 1997, 1999, 2001, 2003, 2005, 2007

* Federal match only; Source: TEAM

State Funding is Always Volatile

Selected State Funding Changes, 2005 to 2006

	2005	2006	Percent Change
California	$1.4 billion	$2.2 billion	+57.8%
Colorado	$0	$21.8 million	
Georgia	$8.2 million	$4.7 million	-43%
New Mexico	$2.8 million	$35.7 million	+1,160%
North Carolina	$112 million	$66 million	-41%
Oregon	$26 million	$36 million	+38%
Virginia	$158 million	$268 million	+70%

Data from AASHTO: "Survey of State Funding for Public Transportation, 2007"

Taxable Sales Growth Projection

(In Calendar Year)
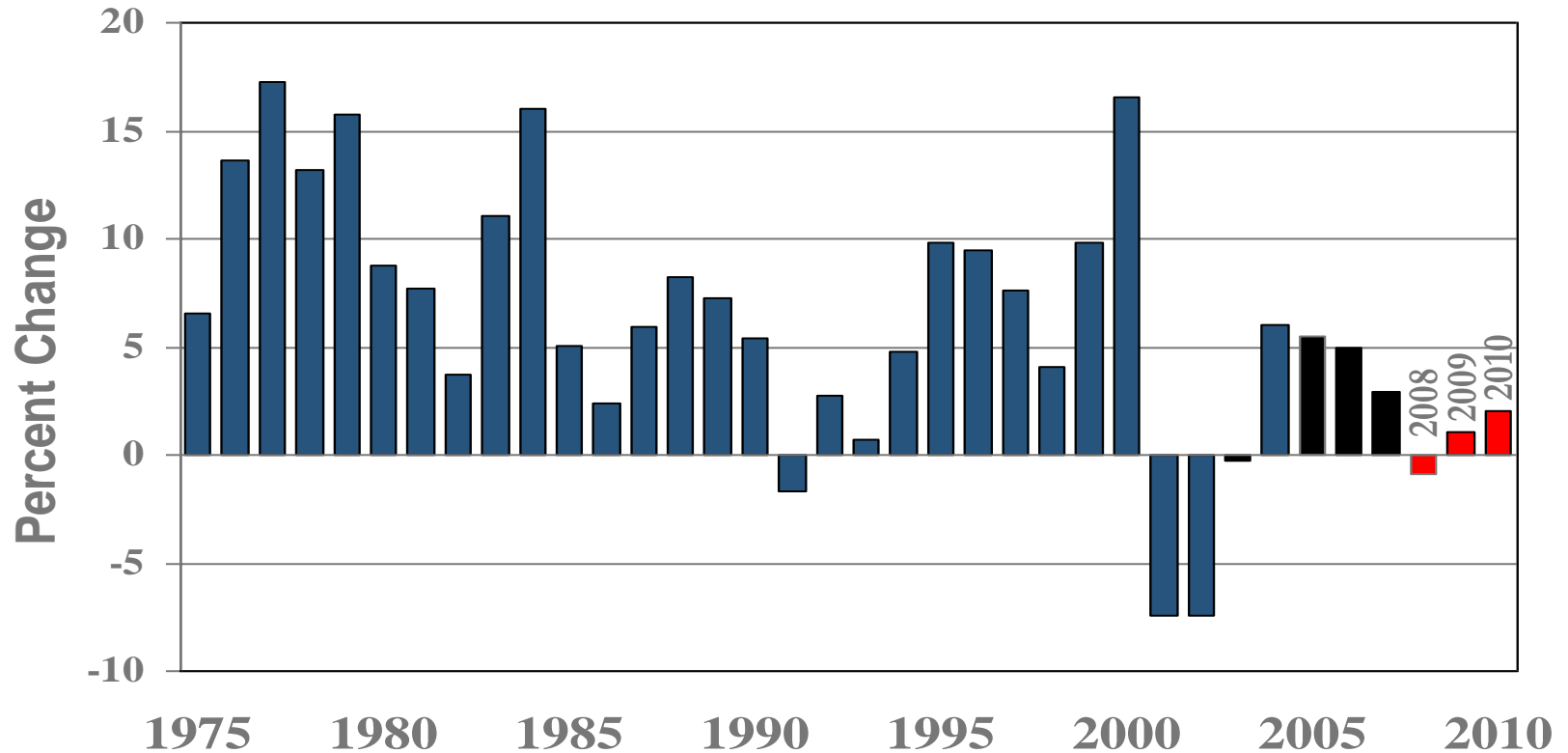
Source: California Board of Equalization, ABAG

Good Asset Management Practices

Asset Inventory Development (capital planning)

- Maintain asset inventories for capital planning purposes

- Not the same as accounting inventories

Asset Condition Monitoring

- Conduct condition assessments on a regular basis

Decision Support Tools/Processes

- Maintain decision support tools for use in forecasting investment needs

Investment Prioritization

- Use objective, multi-factor, project scoring process to prioritize projects