



**BOARD OF DIRECTORS
OCTOBER 13, 2006**

**AGENDA ITEM NO. 06-10-2
ACTION REQUESTED - DISCUSSION**

**REVENUE SOURCES FOR THE
2007 REGIONAL TRANSPORTATION PLAN**

File Number 1109100

Introduction

Traditional sources of funds, including state and federal fuel taxes at today's levels, are no longer sufficient to operate, maintain, and rehabilitate the existing transportation infrastructure, much less to fund any significant expansions. Successful local initiatives such as the *TransNet* sales tax measure provide regional agencies with the flexibility and additional revenues to finance the construction of high priority transportation projects. However, since these local measures rely on the availability of state and federal funds as matching funds, their success may be limited. Simply stated, there is not enough money to pay for the needed capacity expansions. Alternative sources of funds and financing mechanisms will need to be created to fully fund the projects and programs in our long-range Regional Transportation Plan (RTP). This report, based on the attached white paper entitled "Transportation Funding Revenues," (Attachment 1) explores potential long-term funding sources that may be included in the Reasonably Expected Revenue Scenario of the 2007 RTP.

Discussion

Over the course of the past few months, staff presented the attached white paper on Transportation Funding Revenues to the Regional Planning Stakeholders Working Group and the Cities/County Transportation Advisory Committee to elicit their input. Participants from both groups provided feedback, which has been included in the white paper to the extent possible. Some of the comments requested specific, detailed analyses that were not included in the paper's high-level overview of transportation funding sources.

At the October 13 meeting, selected policy questions will be reviewed with the Board of Directors through an interactive process to identify the Board's general preference to pursue certain revenue sources. As with previous interactive polling exercises, Board member input will help determine a priority for these potential revenue sources in the RTP.

Revenue Constrained Plan Funding

By statute, all long-range transportation plans must include a revenue constrained plan. The funding sources included in the Revenue Constrained Plan are those that are currently being collected and distributed for transportation projects and that are forecast to continue to be collected through the time horizon of the plan. The collection of these revenues includes state and federal taxes on fuels, state and local sales taxes for transportation programs, vehicle registration and weight fees, user fees for toll facilities, development fees, and others.

The 2030 RTP adopted by SANDAG in 2003 also included a Reasonably Expected Revenue Scenario, known as the MOBILITY 2030 Plan that assumed additional revenues through 2030 to be available for the development and completion of additional highway, transit, and local street and road

projects. These additional revenues were not being collected at the time; however, it was reasonable to assume that the legal framework that would allow their collection was likely to be approved during the period covered in the RTP.

The purpose of the \$42 billion MOBILITY 2030 Plan was to highlight the transportation projects and programs that could be advanced and implemented with additional resources beyond the Revenue Constrained Plan funding levels (\$30 billion). The MOBILITY 2030 Plan, while not recognized by the federal government for air quality conformity modeling purposes, enabled the region to develop near-term funding strategies. The most significant of these was the extension of the *TransNet* sales tax program in 2004.

Current Funds

The 2006 Update of the Revenue Constrained Plan adopted by SANDAG in February 2006 includes all known funding sources as outlined above, and which are distributed to the region via funding programs such as:

- Federal formula funds [e.g., Federal Transit Administration (FTA) Section 5307 and 5310 programs, Regional Surface Transportation Program (RSTP), Congestion Mitigation and Air Quality (CMAQ)];
- State funds [e.g., State Transportation Improvement Program (STIP), Traffic Congestion Relief Program (TCRP), State Highway Operations and Protection Program (SHOPP), State Transit Assistance (STA)];
- Local funds [e.g., Transportation Development Assistance (TDA), *TransNet* local sales tax, transit farebox revenues, city/county local gas taxes]
- Private funds (e.g., State Route (SR) 125 tollway and SR 241 tollway revenues)

The revenues estimated to be available in the 2006 Revenue Constrained Plan RTP totaled approximately \$35.7 billion (in 2005 dollars).

Other Potential Revenue Constrained Funds

When MOBILITY 2030 was adopted in 2003, the shortfall between the cost of the projects in the Reasonably Expected Revenue scenario and the committed revenues in the Revenue Constrained Plan was \$12 billion (expressed in 2002 dollars). It was anticipated that this shortfall would be mitigated in large part by the extension of the *TransNet* transportation sales tax, which was still pending voter approval at the time. While the 2007 preliminary project costs and revenues are not yet available, we can estimate within ranges what these amounts are likely to be based on the original 2003 assumptions. Adjusting the MOBILITY 2030 Reasonably Expected Revenue scenario costs to 2006 dollars would place the 2007 Reasonably Expected Revenue scenario costs in the range of \$60-\$70 billion. Similarly adjusting the Revenue Constrained Plan figures (including escalation and some minor adjustments for new revenue data), the expected revenues are estimated in the range of \$37-\$40 billion, leaving the gap between the two revenue scenarios to \$23-\$30 billion. It should be reiterated that this is based on the project assumptions from MOBILITY 2030, and does not account for any actual project expenditures and/or completions since 2003.

To attempt to close the gap between the Revenue Constrained Plan and a new Reasonably Expected Revenue scenario for the 2007 RTP, additional funding sources will be required. The

Federal Highway Administration (FHWA) now will allow certain funding sources that SANDAG previously excluded from its Revenue Constrained Plan to be included under limited conditions. These conditions include having continued state support for toll facilities, and a track record of voter approval in recent ballot propositions at the regional level. These funding sources could include an expanded toll road program as well as additional regional sales tax measures. Attachment 2 shows a range of funding generated by the potential sources discussed in the white paper, which would provide between \$10 billion and \$21 billion in funding. These revenue mechanisms, if implemented, could begin to close the gap between the Revenue Constrained Plan and a new Reasonably Expected Revenue scenario for 2007 RTP.

While the addition of these funding sources in the Revenue Constrained Plan would allow for the inclusion of more projects in that plan, should the state or the region fail to implement these additional revenue mechanisms, SANDAG would be required to exclude them in the following update of the RTP. Since the Revenue Constrained Plan serves as the basis for programming projects for implementation in the 5-year Regional Transportation Improvement Program, exclusion of these revenues would be potentially disruptive to the planning process as the projects associated with the additional revenues would need to be removed from the Revenue Constrained Plan.

Other Metropolitan Planning Organizations (MPOs) have chosen to include funding sources that are not necessarily in place yet, but have a strong possibility of being implemented. While these MPOs may have enjoyed a greater number of projects listed in the Revenue Constrained Plan, they may find themselves under greater scrutiny from the FHWA as they will need to demonstrate a record of success to implement these funding mechanisms or remove them from the Revenue Constrained Plan in future updates of the RTP.

The discussion at the Board policy level will help direct staff regarding which potential funding sources to include in the Revenue Constrained Plan of the 2007 RTP. In its deliberations, the Board should assess the risk implications of including some of the potential revenues in the Revenue Constrained Plan.

Next Steps

Pending Board discussion and direction on the policy questions raised in this report, staff will include the appropriate funding sources in the Revenue Constrained Plan. Other sources of funding also may be included in the Reasonably Expected Revenue scenario of the 2007 RTP. The total revenues forecasted for each of these plans will be one of the key factors in the determination of the number and timing of the region's high priority projects that will be included in each of the funding plans. As mentioned in other reports, these plans will be presented as part of the draft 2007 RTP in spring 2007.

GARY L. GALLEGOS
Executive Director

Attachments: 1. Transportation Funding Revenues White Paper
2. Summary Table of Additional Revenues for the 2007 Regional Transportation Plan

Key Staff Contact: Susan Brown, (619) 699-1913, sbr@sandag.org

TRANSPORTATION FUNDING REVENUES WHITE PAPER

INTRODUCTION

Through the mid-1980's, the state and federal fuel taxes and other sources were adequate to help fund the operation, rehabilitation and maintenance of the transportation system while allowing for limited expansion of the system. In order to advance the delivery of some key highway and transit projects, voters in the San Diego region approved *TransNet*, a 20-year, half-cent sales tax increase in 1987. Voters extended this sales tax in 2004 for another forty years. A key difference between now and 20 years ago when the original measure was approved is that the *TransNet* funds are currently replacing, instead of supplementing, the state funds that are needed to expand capacity of the system.

On the state side, as the share of the State Highway Account that goes towards capacity increasing projects has been dramatically reduced, the reliability of these funds has also decreased. Project sponsors are now forced to live with a system that offers less money with no guarantee of getting that money when originally promised.

On the federal side, although the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) authorization did include a significant increase in funding for transportation, the record level of congressional discretionary programs took away a significant amount of the growth in the regional discretionary programs. In addition, the rate of growth in the amount of federal fuel taxes collected is falling behind, in both nominal and real terms, the growth in vehicle miles traveled, a key indicator of the demands that are being placed on the system.

In order for the region to make significant advances towards improving mobility, a stable and sustained revenue stream must be available. The extension of *TransNet* dramatically improved the local long-term transportation funding scenario, giving the region a boost to advance funds and project schedules through bond financing. *TransNet*, however, cannot do it alone. A premise of the *TransNet* program is that it will provide a 50 percent match to state and federal funds on capacity-increasing projects. The region may be able to shoulder the burden of a lower state and federal participation in these initial *TransNet* projects, but it is unreasonable to expect that the *TransNet* program can sustain this larger-than-fifty-percent share through the life of the program, unless the current situation regarding state and federal funding levels improves or other sources of funds are identified.

The Infrastructure Bonds recently approved by the Legislature to be placed on the November 2006 ballot promises to provide short-term relief to a number of key highway and public transportation programs, including capacity increasing projects, capital replacement and rehabilitation, operations and others. While these funds, if approved by the voters, would be a welcome respite from the programming shortfalls experienced lately and may allow delivery of some projects to be advanced, they would not provide the long-term funding stability that is critical to a more successful transportation funding plan.

The movement towards expansion of Public Private Partnerships (PPPs) in California continues. Recent approval by the Legislature of Assembly Bill (AB) AB 1467 provides authority for the California Department of Transportation (Caltrans) and regional agencies (including a joint powers authority) to implement up to four projects, two in the northern part of the state and two in the

south, “primarily designed to improve goods movement.” AB 1467 also authorizes up to four High Occupancy Toll (HOT) lane projects, including the administration and operation of a value-pricing program and exclusive or preferential lane facilities for public transit.

The MOBILITY 2030 Plan included three revenue scenarios – Revenue Constrained (required by state and federal regulations), Reasonably Expected Revenue (on which the Plan is based), and an Unconstrained Revenue scenario. The Reasonably Expected Revenue Scenario identified several potential funding sources that could be reasonably expected to occur. Of those, the extension of *TransNet* has in fact been approved. This issue paper will explore increases to existing programs as well as creation of new programs. Policy questions will be posed to help guide the development of the Reasonably Expected Scenario of the 2007 RTP.

Objectives for 2007 RTP

The objective of the 2007 RTP is to explore potential increases in existing programs as well as creation of new programs. The implementation of new programs, in particular, would depend on various policy questions that should be considered. Some of the major options are as follows:

1. Tolling and Other User Fee Mechanisms
2. Additional Sales Tax Measures
3. Local Mechanisms
4. Other Sources

Legislation and/or voter-approval is required for some of these proposals.

Background

MOBILITY 2030 revenue assumptions, as compared to the assumptions used in the Revenue Constrained Scenario, included more optimistic assumptions regarding revenue to be obtained from existing programs. Some of these increased revenues were based on the assumption that fuel taxes would be increased following the average annual increase experienced over the past 20 years. Assumptions of additional revenues also included an extension of *TransNet* as well as continued funding at historic growth rates on other state and federal funds. Construction inflation rates were also assumed to continue following historical trends.

Current Conditions

Some of the revenue assumptions for MOBILITY 2030 did actually occur. The most significant was the approval by the voters of the 40-year *TransNet* extension in 2004. Other assumptions, however, have diverged in significant ways from historical patterns. The near collapse of the State Transportation Improvement Program over the past three to four years has rendered long-term forecasts for this program as little more than wishful thinking. Recent actions to restore Proposition 42 funding may help restore some state funding. Sharp increases in the cost of construction materials and energy coupled with fewer contractors willing and able to bid on contracts has resulted in near-term project cost increases that have far outstripped historical cost escalation trends and the assumptions on revenue growth used in MOBILITY 2030.

Identification of Problems

A recent significant challenge in the area of transportation funding is that, for the first time in recent memory, the structural framework of state funding programs is being hit with funding needs for statutorily required highway rehabilitation and maintenance programs that exceed the amount received from state and federal fuel taxes. What this means is that in the unlikely event of an increase in the rate of federal fuel taxation, a portion or all of the net increase could still be required to meet these rehabilitation and maintenance needs. The remainder, if any, could then be used to fund increases in highway capacity.

A funding source that contributes revenues towards capacity increasing programs is Proposition 42. While this revenue source has been available since it passed in 2002, the Governor and the Legislature have diverted over \$3 billion statewide to help balance the state budget, thus depriving highway and transit expansion programs as well as transit operators of critically needed funding. A welcome development included in the fiscal year 2006/07 state budget is the funding of Proposition 42 for transportation programs and the early re-payment of approximately \$1.4 billion out of the \$3 billion diverted over the past three to four years. A Constitutional amendment to prevent future diversion of these funds to non-transportation purposes has been included as part of the overall package of propositions set for the November ballot. While the protection is limited, it would provide for better protection than what has been available in the past. To the extent these funds can be stabilized, this sales tax-based revenue source would provide on-going revenues that would increase with the price of fuel as compared to the gas tax which is a flat rate per gallon charge.

DISCUSSION

Potential Solutions/Alternatives

There is a range of potential solutions that could be implemented at the regional level to help improve the long-term outlook of transportation infrastructure expansion programs. Consideration of these possible solutions and alternatives generates a number of policy questions, the answers to some of which may require changes in state and/or federal law. These policy questions include:

Tolling and Other User Fee Mechanisms

- Should an expanded public/private partnership program be pursued that would enable additional toll facilities to be built and operated in the region by private enterprises, similar to the State Route (SR) 125 Tollway in the South Bay of San Diego County?
- Should the region explore development of a Public Toll Road system?
- Should hybrid tolling financing mechanisms be considered?
- Should high occupancy toll (HOT) lanes be considered for widening of certain corridors?
- Should widening of selected existing freeways or freeway segments be toll lanes?

- Should infrastructure-improvements that primarily support goods movement operations be contingent on the development of user-fee-based funding sources?
- Should user-fees for parking structures be considered at transit stations, including Bus Rapid Transit (BRT) and rail stations?
- Should the region consider adding rental car fees to raise revenues for dedicated transportation programs?

Additional Sales Tax Measures

- Should the region conduct public opinion research to explore different scenarios to change the sales tax rate currently collected to provide funds for additional projects and programs including transportation and other quality of life projects, as well as a dedicated transit operations component?

Local Mechanisms

- Should additional Development Impact Fees (DIFs) on residential, commercial and industrial development be considered to help fund future transportation improvements?
- Should DIFs be extended to major development projects to mitigate impacts on roadway segments subject to Congestion Management Plan (CMP) review, including existing CMP deficient segments?
- Should Tax Increment Financing (TIF) districts be established along certain transportation corridors to help off-set the cost of the added infrastructure (though these may be limited to certain redevelopment zones)?
- Should separate Benefit Assessment Districts (BAD) be pursued for improvements at specific locations?
- Should the region consider adding fees to parking facilities through Parking Assessment Districts (PADs) at selected locations, including Downtown and other parking intensive locations, to generate funding for transportation infrastructure and to encourage use of public transit?
- Should the region consider establishing Real Estate Transfer Taxes (RETTs)?

Other Sources

- Should the region consider gas tax or equivalent mechanism increases that are indexed to inflation, the cost of fuel or some other indicator rather than be set on a per-gallon basis?
- Should the region consider requiring or otherwise motivating employers to increase contributions to employees for Rideshare and other Transportation Demand Management (TDM) programs?

- Should the region consider joint development at transportation facilities, including but not limited to, leases of utility company infrastructure within transportation facilities?
- Should the region work with the County Board of Supervisors to increase the Vehicle Registration Fee up to the maximum limit under AB 2766?

Analysis

Tolling and Other User-Fee Mechanisms

With passage of AB 1467, the California movement towards Public Private Partnerships (PPPs) will expand from the original AB 680 legislation passed in the 1980's. There is a realization the transportation system cannot be expanded using existing funding sources alone. Encouraged by federal legislation, many states, regions, and municipalities are exploring various mechanisms to involve the private sector. Likewise, large institutional investors, including public employee retirements systems, are looking for opportunities to generate reasonably secure, long-term returns through their participation in transportation infrastructure financing. Still, there continues to be some reluctance at state capitals, including California's, to fully embrace the wide range of PPP opportunities. It is likely that the state will continue to experiment with additional PPP mechanisms that may oscillate between full private involvement to a Public Toll System designed, built, and operated by the public sector.

While specific feasibility studies are yet to be implemented to determine the viability of certain corridors, it appears that several corridors in the San Diego region lend themselves to construction of new facilities by some sort of PPP. One example is the proposed SR 11 connecting to the future East Otay Mesa commercial border crossing. Expansion of existing facilities through HOT lanes could also be pursued. As with any PPP proposal, including AB 1467 and future proposals, enabling legislation would need to tackle key issues including:

- the specific framework and terms under which it would operate,
- who controls the facility,
- who sets the toll rates and what is the mechanism for adjusting future toll revenues,
- what does the public agency get back at the end of the franchise period and in what condition; and,
- what would the terms be of non-compete clauses, if any?

In comparing some of the potential advantages of public versus private toll infrastructure systems one finds that public systems are likely to maintain lower tolls for users since profits are not part of the financing requirements. Also, public agencies can issue tax-exempt bonds, thereby reducing the amount of interest paid over time, thus potentially benefiting users with lower tolls. Private toll systems, however, may be able to more easily adjust tolls to insure payment of the financing mechanisms as this process would be outside the public arena. Also, the involvement of the private sector allows the risk of the development and financing of a transportation facility to be distributed away from the public sector.

Port access improvements, truck-only lanes, double-track rail facilities, grade-separated crossings (including tunneling), and other facility improvements designed to make goods movement more efficient and cost effective could be supported through user-fee based investments. Once the authority is established to assess these fees, financing packages can be more readily developed, with guarantees through the Transportation Infrastructure Finance and Innovation Act (TIFIA) and similar programs. A partnership between federal, state, regional and local agencies, the goods movement community, and other private partners to fund the infrastructure under a fair share mechanism may help reduce resistance from the trucking and rail freight community.

The region may consider exploring fees for parking at transit stations, including BRT stations. While the establishment of parking fees at certain stations may be counter to the goal of increasing transit use, there may be opportunities to generate revenues along high demand corridors or where other uses for these parking facilities exist, such as in Downtown San Diego and other commercial areas. Careful evaluation would need to be exercised to not discourage the use of transit through the implementation of these parking fees.

Additional Sales Tax Measures

An increase in the level currently collected for *TransNet* is another potential option. A challenge to this would be that, contrary to the last approval where it was merely extending an existing tax, this would represent a new tax. The extension barely received the minimum two-thirds vote required for approval, so an increase to the *TransNet* tax would be more difficult to obtain. Therefore, before the region embarks on asking the voters for an increase, careful assessment of priority issues for the voters should be made. Among the priorities evaluated could be dedicated transit operations, funding for additional transportation capital improvements, and funding for quality of life projects such as open space, habitat acquisition, water quality improvement projects, sand replenishment at local beaches, and others. An increase, however, would provide the region with the greatest amount of flexibility and stability as the revenues would be controlled regionally; the sales tax would better protect against inflation; and the revenue stream would be less prone to the wild gyrations other revenue sources have experienced.

Local Mechanisms

The region could also explore a number of revenue generation mechanisms that traditionally have been pursued in other jurisdictions at the local level. Some of these include Development Impact Fees (DIFs), Tax Increment Financing (TIFs), Benefit Assessment Districts (BADs), Parking Assessment Districts (PADs) and Real Estate Transfer Taxes (RETTs). The process to implement the local revenue mechanisms would be dictated to a large extent by the purpose and administration of the funds. As required by Proposition 218, any tax that is collected for a special purpose (e.g. for transportation infrastructure or transit services), as the proposals in this report would be, is defined as a "special tax" subject to the 2/3 voter supermajority. Funding mechanisms based on real property that are structured as "fees" to pay for specific improvements or services could be implemented as a simple local city or county regulation. If a portion of these fees exceeds the reasonable cost of these improvements or services, however, then a 2/3 voter supermajority would be required.

Development Impact Fees are fees collected by local agencies to grant development permits that are tied to certain infrastructure improvements. DIF's could also be a vehicle to fund transportation mitigation projects of CMP deficient segments and other roadways subject to CMP review. Tax

Increment Financing, on the other hand, is made up of two components: The first is base revenues, which are the property taxes collected based on existing assessed property values. The second component is the tax increment, which represents the new revenues in excess of the base revenues that are generated based on the higher assessed value of the new development. BADs allow a public agency to construct and maintain improvements such as traffic signals, parks, and others. Project costs are assessed within the boundaries of the designated benefit area of the county or city. Parking Assessment Districts would allow the region to assess fees on certain parking spaces within defined areas. Lastly, RETTs (sometimes called deed recordation taxes) are imposed on the sale or transfer of real property. The fees are usually based on or measured by the consideration paid for or the fair market value of the real estate. Thirty-five states already use RETT to generate revenue. Some of the uses in other jurisdictions in California and Oregon for revenues derived from RETTs include affordable housing programs, open space, parkland acquisition and maintenance, and transportation infrastructure.

An analysis of these options must include recognition that DIFs may be opposed by the development community as additional fees would increase their cost of doing business. Public agencies may also find it hard to bond against projected DIF revenue since the revenues materialize only once the development is implemented. TIFs, on the other hand, may be opposed by local agencies as they limit the amount of revenues that are collected in an area positively impacted by the construction of infrastructure, in this case transportation infrastructure. A mitigating action in the creation of TIFs is that the local agencies could keep the tax increment upon payment of the financing of the transportation infrastructure.

BADs have several advantages: They tie financing of specific projects to beneficiaries; they allow different levels of infrastructure and services to vary with different demands for these public goods; and they allow an area that wants better infrastructure the ability to fund it itself. There are certain disadvantages to BADs, however. These include potential fragmentation of infrastructure and services, varying between those areas that want to pay for the improvements and those that do not.

A surcharge or fee on parking spaces through PADs in congested areas, including downtown San Diego and others would help raise additional revenue and reduce congestion. The effect would be similar to the charges that major global cities such as London have imposed on travelers who wish to drive to highly congested areas of their respective center city districts. The impact of these fees has been a reduction in vehicular congestion as well as an increase in transit use. While residents of London were initially reluctant to embark on this experiment, results have been favorable and the continued implementation of this program is generally supported in the area.

In California, RETTs may be imposed only at the local level. The level of revenues generated depends on the rate, though in the San Diego region the high level of real estate valuations would also influence the amount of revenues. California law allows up to a maximum of \$0.55 per \$500 of the value of the property being conveyed. There may be some opposition to the imposition of these RETTs precisely because property owner tax bills may be considered high due to these high property values. RETTs are already collected in San Diego County, and an increase would likely require a 2/3 supermajority to take it above existing statutory levels.

An element of the *TransNet* Extension that voters approved in 2004 is the *TransNet* Regional Transportation Congestion Improvement Program. This element includes a development impact fee on residential development to help insure this future development pays its fair share towards

funding and mitigating new traffic impacts on the Regional Arterial System. Not covered in this program are the impacts that residential development, as well as commercial and industrial development, have on the other segments of the transportation network, namely the highway and transit networks. Additional Nexus studies could be done to demonstrate the impact these developments have on the highway and transit networks and to determine appropriate fair share contribution amounts to help fund and mitigate traffic impacts to existing and future facilities.

Other Sources

The existing 36 cents collected for transportation programs in California (18 cents federal and 18 cents state) continue to be collected on a per-gallon basis. What this means is that regardless of the price of fuel, the state continues to get a flat amount per gallon while real value continues to be eroded by escalating construction costs. Proposition 42, however, has begun to change this. Proposition 42 ties the amount of sales taxes collected to the price of fuel, rather than to the number of gallons purchased. While there is no sales tax at the federal level, there may be opportunities for the federal government to change the framework under which the tax is collected from a per-gallon basis to an index basis. Likewise, the state could amend its framework to make the collection of fuel taxes index-based rather than per-gallon based. Due to the sensitivity of these issues, these legislative changes are considered potentially more likely in the longer term.

One potential way to reduce congestion without needing to invest in additional capacity is by reducing demand through TDM programs. The region has been subsidizing the Rideshare program for a number of years with great success. Some employers already provide some type of match to employee contributions. Additional mechanisms could be explored that would motivate employers to increase their contribution towards support of these programs. An increase in the number of TDM participants would defer the need for certain infrastructure, freeing up funding capacity for other transportation projects.

There is the potential to expand on existing joint development agreements which can result in additional fees collected. These developments may allow, for example, infrastructure elements from utility companies or other commercial enterprises to be placed within transportation facilities, whether at spot locations such as parking structures or transit stations or along longitudinal corridors, such as managed lanes or light rail routes. These developments may be a source of a steady, albeit modest, stream of revenues in the case of leases.

Another potential funding source is increased revenues through an increase in Vehicle Registration Fees. AB 2766 allows county governments to set a fee for registration of vehicles within that county's jurisdiction. San Diego county currently levies a fee of \$x dollars, though existing legislation allows the county to charge up to \$y. These funds are typically used for projects and programs that reduce emissions as recommended by the local Air Pollution Control District.

Issues and Policy Implications

A qualitative analysis of the potential sources of funds generated under some of these revenue scenarios is included in Attachment 2. In the short term, the relatively low possibility of increased revenues through a tax increase on fuels, whether state or federal, will result in the need to generate revenues through other means. Tolloed facilities, whether through PPPs or through a Public Toll System, are a solution that is being increasingly in use in the United States and has been

successfully implemented throughout Europe, Asia, and Latin America. One of the biggest challenges will be the drafting of the enabling legislation to insure that, in the case of PPPs, private enterprises feel they have a reasonable chance of succeeding and making a fair profit as well as to ease the mistrust that some legislators and governmental agencies feel about entering into long-term agreements with these private entities. Likewise, legislation allowing public entities to build and operate Public Toll System facilities would need to define the parameters under which it operates, taking into consideration some of the issues raised earlier. While these legislative initiatives will need to be made at the state and federal levels, our region will need to actively participate to insure the greatest amount of flexibility. In the long term, additional gas taxes or equivalent fuel-based revenue-sources may yet be approved. The region should continue to work with the legislature to further explore these funding sources.

Regionally, the issue of whether or not to pursue additional revenues through an increase in the rate of *TransNet*, or through other issue-specific measures, such as a transit-only sales tax increase, will depend on factors such as the mood of the public, the state of the economy and the housing market, cost of energy supplies and others. The implementation of other local funding mechanisms may also require voter approval, particularly if they are "special taxes". It is likely that some of these may be approved over time, as residents become frustrated with the slow pace of transportation infrastructure improvements due to limited availability of funding.

Future Analysis

Should funding sources other than those considered in this white paper be considered? Should some of the potential sources described in this white paper be eliminated? Direction from the Board of Directors on which funding sources from those presented in this white paper, or others that the Board proposes, to ultimately include for the Revenue Constrained Plan and Reasonably Expected Revenue Scenario of the Regional Transportation Plan will lead to a more refined analyses and strategies to implement the recommended potential funding revenues.