CHAPTER 4
FINANCIAL STRATEGIES: PAYING OUR WAY

The financial analysis of the recommended transportation improvements of MOBILITY 2030 focuses on transit, highway, and local street and road improvements (Systems Development) as well as the Land Use and Systems and Demand Management components. The capital, operating, maintenance, and rehabilitation costs of the region's transportation systems over the next 29 years are compared against forecasts of available revenues. Actions are recommended to obtain the revenues necessary to implement the improvements recommended in the Plan. The level of improvements possible under three alternative revenue scenarios is included as part of the financial analysis.

CHAPTER CONTENTS

REVENUE SCENARIOS

Three basic revenue forecast scenarios have been developed for MOBILITY 2030. A general description of each of the three scenarios is provided below followed by the key assumptions used to develop projections of each of the major revenue sources and a summary of the analysis of total costs and revenues under each scenario.

Three basic revenue forecast scenarios have been developed for MOBILITY 2030 – Revenue Constrained (required by state and federal regulations), Reasonably Expected Revenue (on which the Plan is based), and an Unconstrained Revenue scenario.

Revenue Constrained Scenario

State and federal planning regulations require the development of a revenue constrained plan. Such a plan is based only on current sources and levels of federal, state, and local transportation revenue projected out to the year 2030. This scenario includes federal and state formula funds as well as federal and state discretionary funds for existing projects. However, future increases in federal and state gas taxes, the extension of the *TransNet* sales tax program beyond its current 2008 expiration date, or the establishment of other new revenue sources are not included in the revenue constrained scenario.

Reasonably Expected Revenue Scenario

The Reasonably Expected Revenue scenario is a more optimistic forecast, which includes all the sources of funding in the revenue constrained forecast, plus additional sources of transportation revenue that are reasonably expected to become available through 2030. The additional sources include an extension of the *TransNet* ½ percent transportation local sales tax through 2030, higher levels of state and federal discretionary funds, and increases in state and federal gas taxes based on historical trends. This more optimistic scenario is the basis for MOBILITY 2030.

Unconstrained Revenue Scenario

Based on the analysis of travel demand in the region to 2030 and beyond, needs have been identified for transportation improvements and associated operations, maintenance, and rehabilitation, requiring funding above and beyond the levels assumed for the Reasonably Expected Revenue scenario. This third unconstrained scenario includes additional revenue options to fully fund the desired list of projects beyond 2030. This scenario identifies a set of potential revenue sources, the estimated revenue to be generated, and the implementation steps required.

Revenue Assumptions

The basic assumptions made for each major revenue source included in the financial analysis for MOBILITY 2030 are provided below. Any differences in the assumptions made for the more optimistic Reasonably Expected Revenue scenario as compared to the Revenue Constrained scenario are described. All revenues have been deescalated to 2002 dollars based on the 3.4 percent per year cost escalation factor adopted by the California Transportation Commission (CTC) for the 2002 State Transportation Improvement Program (STIP) Fund Estimate. For flexible funding sources that can be spent for a variety of purposes, the amounts assumed for highway, transit, and other purposes under these alternatives also are summarized.

Local Revenues

- ***TransNet* ½ Percent Local Sales Tax Revenues -** were assumed to increase each year over the $193 million received in FY 2002 based on the growth in taxable retail sales as projected by the SANDAG Demographic and Economic Forecasting Model (DEFM). The amounts shown for the Revenue Constrained scenario represent the funds estimated to be available through the end of the current *TransNet* Program in 2008. The net revenues shown reflect the estimated sales tax receipts plus estimated interest earnings less current debt service payments on bonds issued to date. Revenues were assumed to be allocated based on the voter-approved *TransNet* Ordinance and Expenditure Plan (one-third each to highways, transit, and local streets and roads).

  For the Reasonably Expected Revenue scenario, the *TransNet* Program was assumed to be extended through 2030. Revenues from FY 2009 to FY 2030 are assumed to be flexible. For planning purposes, 25 percent of the future *TransNet* funds were assumed for local streets and roads, bicycle and pedestrian facilities, and other potential purposes, 35 percent for highway/HOV purposes, 25 percent for transit operations, and 15 percent for transit capital purposes.

- **Transportation Development Act (TDA) ¼ Percent Sales Tax Funds** - were assumed to grow from the $100 million received in FY 2002 in the same manner as *TransNet* funds since TDA funds also are based on growth in the sales tax. The total TDA funds projected were reduced by 10 percent to account for administrative, planning, and bicycle project deductions as provided in state law. TDA funds may be used for transit operating or capital purposes, but are not eligible for use on non-transit related highway or local street and road improvements. For planning purposes, it was assumed that 10 percent would be used to match capital projects and the balance would be available for operations.
- **Local Street and Road Gas Tax Subventions -** The current level of gas tax subventions to the Cities and the County of San Diego for local street and road purposes was assumed to continue to be available. (Actual receipts totaled $85.5 million in FY 2000.) The total of these revenues for the region was increased each year based on the estimated growth rate in the number of gallons of fuel consumed in the region based on Caltrans projections reflecting future fuel efficiency, vehicle miles traveled (VMT), and vehicle fleet mix projections (i.e., gas, diesel, electric, etc.). The total estimated gas tax was deescalated to 2002 dollars.
- **Local Street and Road General Fund and Other Revenues** – Based on information provided in the State Controller annual reports for local street and road expenditures and revenues, the average amount of general fund contributions and other revenues (including fines and forfeitures, interest earnings, and other miscellaneous revenue sources) used for local street and road expenditures in recent years was assumed to continue. The 10-year average for local general fund contributions to local street improvements regionwide is $47.3 million per year, while other revenues have averaged $102.7 million per year. These revenues were increased by 3 percent each year and deescalated to 2002 dollars.
- **Toll Road Funding** – the funding derived from debt financing backed by future toll revenues has been assumed to be available in the same time periods as the construction for the major phases of the SR 125 and SR 241 toll road projects.

State Revenues

- **State Transportation Improvement Program (STIP) Funds** – were based on the amounts available for new programming through FY 2009 as included in the 2002 STIP Fund Estimate. Beyond 2009, STIP funds were assumed to increase at 3 percent per year based on growth rates in gas tax receipts, truck weight fees, and federal funds flowing into the State Highway Account. In addition, future STIP revenues were increased to reflect the impact of the passage of Proposition 42, which will increase STIP revenues for 2009 and beyond.

Based on the provisions of SB 45, the San Diego region should continue to receive at least a minimum formula “County Share” level of statewide levels and a comparable portion of the STIP Interregional program funds over time as well. The total STIP funds assumed include revenue from both the Regional and Interregional STIP shares. The STIP funds are flexible and are available for capacity-enhancing highway, transit, and local road capital projects as well as for transportation demand management (TDM) efforts and planning, programming, and monitoring activities. For purposes of the RTP, the STIP funds were assumed to be focused on major highway (65 percent) and transit (30 percent) projects, with 5 percent set aside for regional arterial improvements, TDM, and other purposes.

- **State Transit Assistance (STA) Funds -** were assumed to increase based on the forecasts of growth in the state Public Transportation Account as provided in the 2002 STIP Fund Estimate through FY 2009, and at four percent per year after 2009. In addition, future STA funds were increased to reflect the impact of the passage of Proposition 42, which will increase STA revenues for 2009 and beyond. These funds are available for transit operating and capital purposes only. For planning purposes, these revenues were assumed to be used entirely for transit operations.
- **Traffic Congestion Relief Program (TCRP) Funds** – were assumed to be available for specific projects as provided in state law through FY 2008. Based on the current uncertainty with the state budget and the proposed reductions in TCRP funds, a total of $180 million was cut from the total initially assumed to come from TCRP funds.
- **State Highway Operations, Maintenance, and Rehabilitation Funds** – it was assumed that revenues will be available to meet Caltrans’ identified needs for state highway operations and maintenance needs. By state law, these expenditures are given priority over new construction and are funded “off the top” of the State Highway Account before any funding for new construction projects is allocated. The 2002 base year estimates of $23 million per year for operations and administration costs and $50 million per year for maintenance costs were increased at a real growth of one percent per year to reflect a gradual increase in these costs above the rate of inflation as the size of the system to be maintained grows over time. The revenues needed to meet the costs for these purposes as identified by Caltrans have been assumed to be available.

  For state highway rehabilitation needs, funds were assumed to be available through the State Highway Operations and Protection Program (SHOPP) at the current level of $50 million per year, with a two percent per year real growth based on recent trends. Costs for SHOPP-eligible projects were constrained to the estimated funds available for both the Revenue Constrained and Reasonably Expected Revenue scenarios. To the extent estimated needs for SHOPP activities exceed the estimated revenues, the unfunded needs are identified as part of the Unconstrained Revenue scenario.

- **Future State/Federal Gas Tax or Equivalent Revenue Increases** – were assumed for the Reasonably Expected Revenue scenario. Over the last 20 years, the gas tax has been increased an average of 1.2 cents per year. While the gas tax level is assumed to remain constant through 2030 for the Revenue Constrained scenario, it is reasonable to assume such an average annual increase in the gas tax (or an equivalent revenue source) in the future for the Reasonably Expected Revenue scenario. For the 29-year period covered by the Plan, this would constitute the equivalent of a 34.8-cent increase in the gas tax over time.

  The passage of Proposition 42 is an example of such an equivalent transportation revenue increase, already generating approximately 40 percent of the total estimated revenues from such a future gas tax equivalent increase. The remaining 60 percent in the total funding generated by a 1.2 cent per year gas tax increase was assumed to be available for regional transportation improvements. Of this total, 65 percent was assumed for highway purposes and 35 percent for transit capital purposes.

Federal Revenues

- **FTA Discretionary (Section 5309) Funds -** were assumed through FY 2007 based on the amounts identified in the Federal Transit Administration (FTA) Full Funding Grant Agreement (FFGA) for the Mission Valley East Light Rail Transit (LRT) project and estimates from the pending FFGA for the NCTD Oceanside-Escondido rail project. For FY 2008 and beyond, it was assumed that the region would receive a population-based share of the national Section 5309 levels increased at 4 percent per year. The San Diego region's population is about one percent of the national total. For the Revenue Constrained scenario, a share of discretionary funds equal to 0.5 percent of the national total was assumed, while for the more optimistic Reasonably Expected Revenue scenario, a 1.5 percent share was assumed.

- **FTA Formula (Section 5307 and 5309) Funds -** the Section 5307 formula funds, as well as the rail modernization formula funds under the Section 5309 program, were assumed to grow based on the guaranteed funding levels specified in the federal Transportation Equity Act for the 21st Century (TEA-21) to FY 2003 and at four percent per year thereafter. It was assumed that up to 20 percent of the Section 5307 funds could be made available for operating purposes under the preventative maintenance provisions of TEA-21.

- **Surface Transportation Program (STP) Funds** – the Regional STP fund estimates were based on the current trends in actual annual apportionments and the estimates included in the 2002 STIP Fund Estimate through FY 2009, which included a 20 percent increase in the first year of the new federal reauthorization bill and a 2 percent increase each year thereafter. These funds are flexible and may be used for a wide range of capital projects. For purposes of the RTP, it was assumed that 25 percent of these funds would be set aside for regional arterial improvements or other purposes, 50 percent for highway purposes, and 25 percent for transit purposes.

- **Congestion Mitigation and Air Quality (CMAQ) Funds** – the CMAQ fund estimates were based on the current trends in actual annual apportionments and the estimates included in the 2002 STIP funds estimate through FY 2009, which included a 20 percent increase in the first year of the new federal reauthorization bill and a 2 percent increase each year thereafter. These funds are flexible and may be used for a wide range of capital projects and TDM activities, with the exception of roadway improvements that provide increased capacity for single-occupant vehicles.

  It was assumed that 10 percent of the CMAQ funds would be set-aside for traffic signal coordination or other local purposes. CMAQ funds also may be used for transit operations for the first three years of a new service. It was assumed that 10 percent each year would be available for such operating purposes. In addition, 50 percent of the CMAQ funds were assumed to be available for Managed/HOV lane development purposes and 30 percent for transit capital purposes. It also was assumed that federal regulations would be modified so that the region's CMAQ apportionments would not be reduced as a result of achieving attainment of current air quality standards.

- **Miscellaneous Federal/State/Private/Other Capital Revenues** – there are a variety of smaller annual state and federal programs as well as periodic "demonstration" program funds that provide additional funding for the region's transportation improvements on a semi-regular basis. It was assumed that about $35 million per year would be available from such sources for the Revenue Constrained scenario and a somewhat more optimistic $40 million per year for the Reasonably Expected Revenue scenario. Based on historical trends, it was assumed that five percent of these funds would be used for local street and road or other purposes, while 60 percent of these miscellaneous revenues were assumed for highway purposes and 35 percent for transit capital purposes.

REASONABLY EXPECTED REVENUE SCENARIO ANALYSIS

Based on the more optimistic set of revenue assumptions described above, the Reasonably Expected Revenue scenario provides the financial budget for MOBILITY 2030. A total of nearly $42 billion in revenue through 2030 has been estimated to be available to implement the proposed improvements included in the Plan. A summary of the major revenue sources is provided in Figure 4.1 and Table 4.1.

The assumptions regarding the passage of an extension of the *TransNet* Program through 2030 and the implementation of gradual increases in the state and federal gas taxes (or equivalent revenue sources) comparable to historical increases in these funds over the past 20 years, are critical to the implementation of MOBILITY 2030. Of the total estimated revenues, 19 percent is provided through the *TransNet* extension, 28 percent comes from all other local revenue sources combined, 33 percent from state sources, and 20 percent from federal revenues.

Figure 4.2 and Table 4.2 provide a summary of the $42 billion in expenditures for each of the major project categories proposed to be funded under this scenario. Of the total expenditures through 2030, 37 percent is for transit purposes, 18 percent for Managed/HOV lane improvements, 20 percent for highway purposes, 23 percent for local streets and roads, and two percent for Other (Systems and Demand Management, Land Use, bicycle/pedestrian, and other related efforts).

The costs are broken down for new capital improvements versus operations, maintenance, and rehabilitation expenditures. As the region's transportation system ages, the ongoing costs to maintain our existing infrastructure require a significant share of our future transportation funds. Nearly $17 billion, or 40 percent of the total expenditures, are committed to operating, managing, maintaining, and rehabilitating the region's highway, transit, and local street and road networks.

The major transit, Managed/HOV lane, and highway projects proposed in MOBILITY 2030 are identified in Table 6.2 and Appendix A. The projects and programs included under the Land Use, Systems Management, and Demand Management (including bicycle/pedestrian components) are described in Chapters 6 through 8.

For the local street and road costs, a needs survey was conducted. Each jurisdiction provided information related to its backlog of deferred projects and its 10-year estimate for maintenance, rehabilitation, operations, and new construction needs. These survey data were used as the basis of the street and road cost estimates through 2030. A summary of the survey data is provided in Technical Appendix 1. The estimated street and road costs derived from the survey data were adjusted to fit the revenue available under the Reasonably Expected Revenue scenario.

FIGURE 4.1—MAJOR REVENUE SOURCES/ REASONABLY EXPECTED REVENUE SCENARIO ($42 Billion)

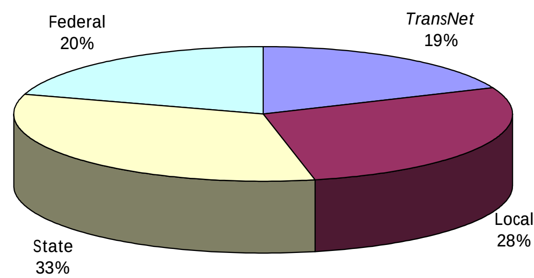


FIGURE 4.2—MAJOR PROJECT EXPENDITURES/REASONABLY EXPECTED REVENUE SCENARIO
($42 Billion)

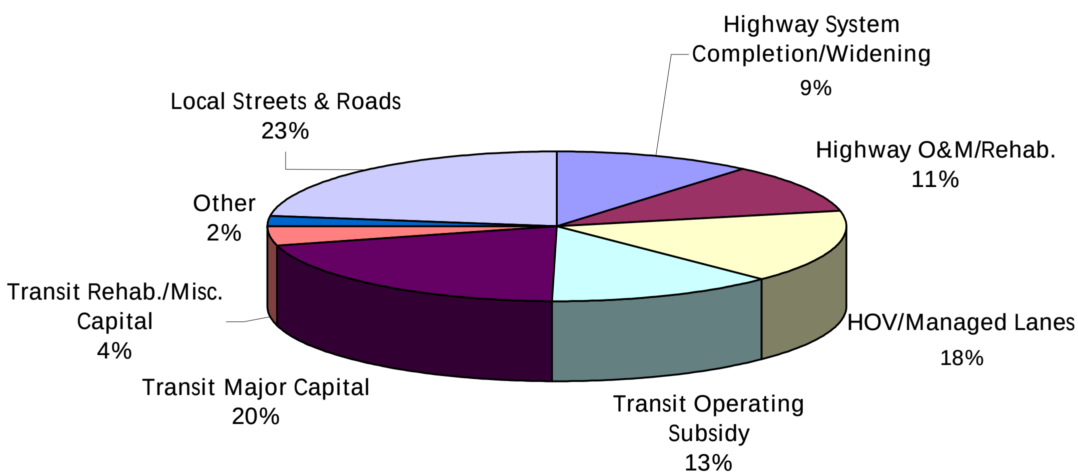


TABLE 4.1—MAJOR REVENUE SOURCES/REASONABLY EXPECTED REVENUE SCENARIO

REVENUE SOURCES	ESTIMATED REVENUE ($ IN MILLIONS)			
	FY 2002-2010	**FY 2011-2020**	**FY 2021-2030**	**FY 2002-2030**
Local				
TransNet (extension assumed through 2030)	$1,470	$2,735	$3,670	$7,875
Transportation Development Act (TDA)	$910	$1,240	$1,660	$3,810
City/County Local Gas Taxes	$760	$745	$650	$2,155
General Fund/Misc. Local Road Funds	$1,330	$1,425	$1,370	$4,125
Toll Road Funding (SR125/SR241)	$400	$0	$530	$930
Miscellaneous/Carry-over from Prior Years	$455	$140	$200	$795
Subtotal	$5,325	$6,285	$8,080	$19,690
State				
State Transportation Improvement Program (STIP)	$890	$1,410	$1,480	$3,780
Traffic Congestion Relief Program (TCRP)/Proposition 42	$455	$440	$530	$1,425
State Transit Assistance (STA) Program	$85	$170	$195	$450
State Highway Account Funds for Operations/Maintenance/Rehab.	$1,170	$1,490	$1,720	$4,380
Future Gas Tax or Equivalent Revenue	$285	$550	$965	$1,800
Miscellaneous/Carry-over from Prior Years	$705	$355	$770	$1,830
Subtotal	$3,590	$4,415	$5,660	$13,665
Federal				
Federal Transit Administration (FTA) Discretionary	$575	$470	$500	$1,545
Federal Transit Administration Formula	$530	$620	$660	$1,810
Regional Surface Transportation Program (STP)	$280	$280	$250	$810
Congestion Mitigation and Air Quality (CMAQ) Program	$310	$315	$275	$900
Future Gas Tax or Equivalent Revenue	$285	$550	$965	$1,800
Miscellaneous/Carry-over from Prior Years	$385	$285	$1,000	$1,670
Subtotal	$2,365	$2,520	$3,650	$8,535
Total	**$11,280**	**$13,220**	**$17,390**	**$41,890**

TABLE 4.2—MAJOR EXPENDITURES/REASONABLY EXPECTED REVENUE SCENARIO

PROJECT CATEGORIES	ESTIMATED COST ($ IN MILLIONS)			
	FY 2002-2010	**FY 2011-2020**	**FY 2021-2030**	**FY2002-2030**
Systems Development & Operations				
Transit				
Major New Facilities (includes $80 million by 2010 for Early Action projects)	$2,535	$2,285	$3,680	$8,500
Miscellaneous Capital/Rehabilitation/Replacement	$600	$870	$510	$1,980
Operating Subsidies	$1,265	$1,795	$2,415	$5,475
Subtotal	$4,300	$5,050	$6,605	$15,955
Joint Use Facilities				
Managed/High Occupancy Vehicle (HOV) Lane Facilities	$780	$3,770	$2,900	$7,450
Highways				
System Completion/Widening Projects	$2,130	$340	$1,110	$3,580
Operations (includes $100 million by 2010 for Congestion Relief projects)	$310	$270	$290	$870
Maintenance	$470	$570	$630	$1,670
Rehabilitation	$490	$650	$800	$1,940
Subtotal	$3,400	$1,830	$2,830	$8,060
Local Streets and Roads				
New Facility Construction	$1,340	$1,515	$1,575	$4,430
Regionally Significant Arterials	$160	$170	$170	$500
Operations/Maintenance/Rehabilitation	$1,440	$1,615	$1,665	$4,720
Subtotal	$2,940	$3,300	$3,410	$9,650
Land Use/Systems Management/Demand Management				
Smart Growth Incentive Program	$25	$0	$0	$25
Bicycle/Pedestrian Improvements	$35	$85	$110	$230
Transportation Systems Management	$130	$150	$160	$440
Transportation Demand Management	$40	$45	$50	$135
Subtotal	$230	$280	$320	$830
Total	**$11,750**	**$14,130**	**$16,065**	**$41,945**

REVENUE CONSTRAINED SCENARIO ANALYSIS

The Revenue Constrained scenario provides the most conservative budget for future transportation improvements. The revenue assumptions do not include an extension of the *TransNet* Program beyond its current expiration date of 2008, and state and federal gas taxes are assumed to stay at today's levels (18 cents and 18.4 cents per gallon, respectively) through 2030. The result of these and other assumptions is a total revenue estimate of nearly $30 billion, or over $12 billion less for improvements than assumed in MOBILITY 2030.

A summary of the major funding sources is provided in Figure 4.3 and Table 4.3. With the *TransNet* Program expiring in 2008 under this scenario, *TransNet* contributes only three percent of the estimated revenue. All other local funds make up 40 percent of the total revenue, with state and federal funds providing 39 percent and 18 percent, respectively.

FIGURE 4.3—MAJOR REVENUE SOURCES/REVENUE CONSTRAINED SCENARIO ($30 Billion)

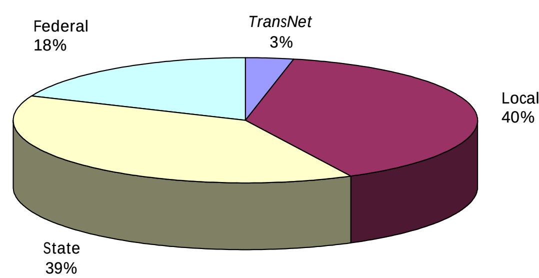


Table 4.4 and Figure 4.4 summarize the nearly $30 billion in expenditures under the Revenue Constrained scenario. About 32 percent of the total expenditures are for transit purposes, 14 percent for Managed/HOV lane improvements, 24 percent for highway related improvements, 28 percent for local street and road improvements, and two percent for the Land Use, Systems, and Demand Management (including bicycle and pedestrian components) strategies.

The reduced budget for improvements in this scenario results in significant cutbacks in the new transit, Managed/HOV lane facilities, and highway projects that can be afforded. As a result, the total share of revenues being spent on operations, management, maintenance, and rehabilitation activities under the Revenue Constrained scenario grows to 48 percent, as compared to 40 percent under the Reasonably Expected Revenue scenario.

The scarcity of revenues that can be used for transit operations is a significant issue, particularly with the Revenue Constrained scenario. In general, many programs provide funding for capital improvements; however, programs to support ongoing transit operating costs are limited. With the expiration of the *TransNet* Program in this scenario, the availability of funding for transit operations is even more constrained, allowing for significantly less expansion of transit services over today's service levels than is provided in MOBILITY 2030.

The specific projects and services included in the Revenue Constrained scenario are described in Appendix A. In addition to the reduced list of major transit, Managed/HOV lane, and highway improvements, the loss of the *TransNet* and other revenues assumed under this scenario results in cutbacks in the levels of bicycle and pedestrian improvements as reflected in Appendix A. The local street and road improvements derived from the local agency needs survey data shown in Technical Appendix 1 have been further reduced in this scenario to reflect the tighter budget assumptions.

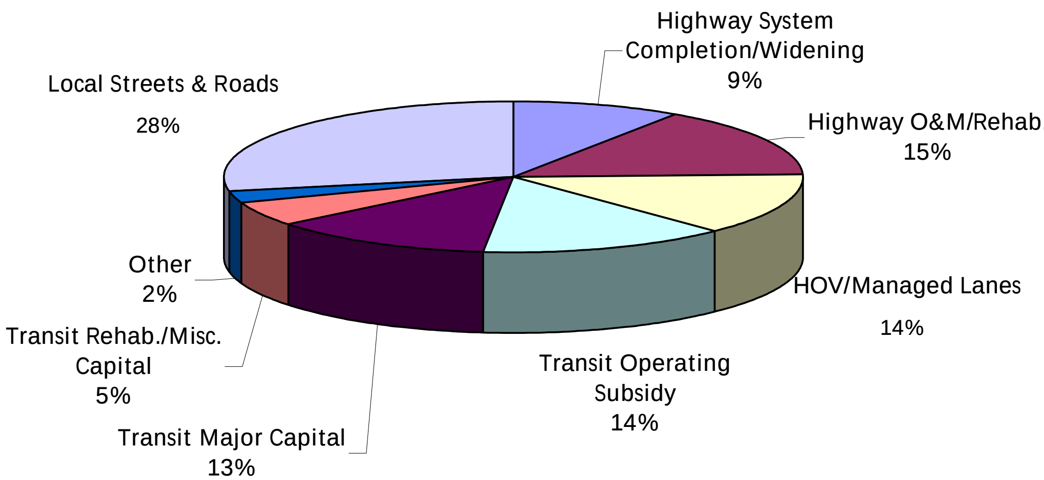
TABLE 4.3—MAJOR REVENUE SOURCES/REVENUE CONSTRAINED SCENARIO

REVENUE SOURCES	ESTIMATED REVENUE ($ IN MILLIONS)			
	FY 2002-2010	**FY 2011-2020**	**FY 2021-2030**	**FY 2002-2030**
Local				
TransNet (expires in 2008)	$1,005	$0	$0	$1,005
Transportation Development Act (TDA)	$910	$1,240	$1,660	$3,810
City/County Local Gas Taxes	$760	$745	$650	$2,155
General Fund/Misc. Local Road Funds	$1,330	$1,425	$1,370	$4,125
Toll Road Funding (SR 125/SR 241)	$400	$300	$150	$850
Miscellaneous/Carry-over from Prior Years	$455	$130	$195	$780
Subtotal	$4,860	$3,840	$4,025	$12,725
State				
State Transportation Improvement Program (STIP)	$890	$1,410	$1,480	$3,780
Traffic Congestion Relief Program (TCRP)/Proposition 42	$455	$440	$530	$1,425
State Transit Assistance (STA) Program	$85	$170	$195	$450
State Highway Account Funds for Operations/Maintenance/Rehab.	$1,170	$1,490	$1,720	$4,380
Future Gas Tax or Equivalent Revenue	$0	$0	$0	$0
Miscellaneous/Carry-over from Prior Years	$670	$325	$460	$1,455
Subtotal	$3,270	$3,835	$4,385	$11,490
Federal				
Federal Transit Administration (FTA) Discretionary	$485	$155	$170	$810
Federal Transit Administration Formula	$530	$620	$660	$1,810
Regional Surface Transportation Program (STP)	$280	$280	$250	$810
Congestion Mitigation and Air Quality (CMAQ) Program	$310	$315	$275	$900
Future Gas Tax or Equivalent Revenue	$0	$0	$0	$0
Miscellaneous/Carry-over from Prior Years	$340	$255	$390	$985
Subtotal	$1,945	$1,625	$1,745	$5,315
Total	**$10,075**	**$9,300**	**$10,155**	**$29,530**

TABLE 4.4—MAJOR EXPENDITURES/REVENUE CONSTRAINED SCENARIO

PROJECT CATEGORIES	ESTIMATED COST ($ IN MILLIONS)			
	FY 2002-2010	FY 2011-2020	FY 2021-2030	FY 2002-2030
Systems Development & Operations				
Transit				
Major New Facilities (includes $80 million by 2010 for Early Action projects)	$1,885	$825	$1,120	$3,830
Miscellaneous Capital/Rehabilitation/Replacement	$445	$765	$350	$1,560
Operating Subsidies	$1,105	$1,380	$1,580	$4,065
Subtotal	$3,435	$2,970	$3,050	$9,455
Joint Use Facilities				
Managed Lane /High Occupancy Vehicle (HOV) Facilities	$540	$1,500	$1,990	$4,030
Highways				
System Completion/Widening Projects	$1,126	$1,140	$400	$2,666
Operations (includes $100 million by 2010 for Congestion Relief projects)	$310	$270	$290	$870
Maintenance	$470	$570	$630	$1,670
Rehabilitation	$490	$650	$800	$1,940
Subtotal	$2,396	$2,630	$2,120	$7,146
Local Streets and Roads				
New Facility Construction	$1,300	$1,270	$1,230	$3,800
Regionally Significant Arterials	$100	$125	$125	$350
Operations/Maintenance/Rehabilitation	$1,390	$1,370	$1,350	$4,110
Subtotal	$2,790	$2,765	$2,705	$8,260
Land Use/Systems Management/Demand Management				
Smart Growth Incentive Program	$25	$0	$0	$25
Bicycle/Pedestrian Improvements	$20	$30	$35	$85
Transportation Systems Management	$130	$150	$160	$440
Transportation Demand Management	$40	$45	$50	$135
Subtotal	$215	$225	$245	$685
Total	**$9,376**	**$10,090**	**$10,110**	**$29,576**

FIGURE 4.4—MAJOR EXPENDITURES/REVENUE CONSTRAINED SCENARIO
($30 Billion)



UNCONSTRAINED REVENUE SCENARIO ANALYSIS

Although not developed to the same level of detail as the other two scenarios, an Unconstrained Revenue scenario was developed to provide an order of magnitude estimate for additional projects, programs, and services to meet projected travel demands beyond 2030 and to fully fund the related operating, maintenance, and rehabilitation needs regionwide. Such improvements would require additional funding above and beyond the levels assumed in MOBILITY 2030.

Table 4.5 summarizes the major expenditures under the Unconstrained Revenue scenario as compared to the Revenue Constrained and Reasonably Expected Revenue scenarios. The Unconstrained Revenue scenario exceeds the $42 billion MOBILITY 2030 by nearly $25 billion. The additional transit improvements needed to fully implement the Regional Transit Vision would result in significantly higher investments in transit capital and operations. Additional Managed/HOV lane and other highway capital improvements as well as Land Use, Systems, and Demand Management investments, would be needed to address remaining congested segments of the region's transportation system that could not be accommodated within the $42 billion financial budget established for MOBILITY 2030.

Highway rehabilitation costs were increased based on estimates provided by Caltrans. The limited revenues under the other scenarios were not sufficient to fund the full level of estimated highway rehabilitation needs. Similarly, the local street and road costs were increased to match the estimates derived from the local agency needs survey. These estimates are nearly $1.5 billion higher than the local street and road needs that could be funded under the budget established for the Reasonably Expected Revenue scenario.

TABLE 4.5—UNCONSTRAINED REVENUE SCENARIO
MAJOR EXPENDITURES AND REVENUES

PROJECT CATEGORIES	**ESTIMATED COST ($ IN MILLIONS)**		
	Revenue Constrained	**Reasonably Expected Revenue**	**Unconstrained Revenue**
Systems Development & Operations			
Transit			
Major New Facilities (includes $780 M by 2010 for Early Action projects)	$3,830	$8,500	$14,670
Miscellaneous Capital/Rehabilitation/Replacement	$1,560	$1,980	$2,480
Operating Subsidies	$4,065	$5,475	$8,640
Subtotal	$9,455	$15,955	$25,790
Joint Use Facilities			
Managed/High Occupancy Vehicle (HOV) Lane Facilities	$4,030	$7,450	$16,350
Highways			
System Completion/Widening Projects	$2,666	$3,580	$5,020
Operations (includes $100 M by 2010 for Congestion Relief projects)	$870	$870	$990
Maintenance	$1,670	$1,670	$1,940
Rehabilitation	$1,940	$1,940	$2,640
Subtotal	$7,146	$8,060	$10,590
Local Streets and Roads			
New Facility Construction	$3,800	$4,430	$5,800
Regionally Significant Arterials	$350	$500	$700
Operations/Maintenance/Rehabilitation	$4,110	$4,720	$6,235
Subtotal	$8,260	$9,650	$12,735
Land Use/Systems Management/Demand Management			
Smart Growth Incentive Program	$25	$25	$290
Bicycle/Pedestrian Improvements	$85	$230	$420
Transportation Systems Management	$440	$440	$660
Transportation Demand Management	$135	$135	$180
Subtotal	$685	$830	$1,550
Total Expenditures	**$29,576**	**$41,945**	**$67,015**
Total Available Revenue	**$29,530**	**$41,890**	**$41,890**
Surplus/Deficit	**-$46**	**-$55**	**-$25,125**

A specific funding plan for the Unconstrained Revenue scenario has not been prepared. There are a variety of funding mechanisms that could be investigated to help address the $24.8 billion funding shortfall expected under this scenario. A list of possible revenue options is provided in Table 4.6. Some of these revenue sources may prove to be more feasible and politically acceptable than others over time.

One method of reducing the shortfall would be to increase the gas tax. For example, a one-cent per gallon fixed rate gas tax increase would generate about $360 million in 2002 dollars between today and 2030 (see Technical Appendix 1). For comparison, a one-cent per gallon per year increase over the same time period would generate about $5 billion, while a ½ percent increase in the transportation sales tax would generate nearly $8 billion. Using these estimates, a 69-cent per gallon one-time gas increase, or a 5-cent per gallon per year increase through 2030, would be required to make up such a revenue shortfall with gas tax revenue alone.

Alternatively, to fund such a shortfall through the sales tax, a 1.5 percent sales tax would need to be enacted in addition to the ½ percent *TransNet* sales tax program already assumed to continue through 2030 in the Reasonably Expected Revenue scenario. The magnitude of this shortfall would be very difficult to address and would most likely require a package of various revenue mechanisms rather than a large increase to a single revenue source. Ongoing research into these and other options will be necessary to provide the revenue needed to fully implement the Unconstrained Revenue scenario.

TABLE 4.6—POTENTIAL TRANSPORTATION REVENUE SOURCES

- Increase gas tax rate per gallon
- Index the motor vehicle fuel tax to Consumer Price Index(CPI)/Construction Cost Index(CCI)
- Increase truck weight fees
- Institute regional development impact fees for transportation improvements
- Expand use of the FasTrak™ High Occupancy Toll (HOT) Lane System
- Implement fees per vehicle miles of travel
- Increase revenues through State-Local fiscal reform efforts
- Change the fuel gallonage tax to a sales tax base
- Increase the *TransNet* local transportation sales tax
- Increase California’s share of Federal Highway Trust Fund
- Implement additional toll roads/privatization projects
- Implement additional pricing mechanisms
- Institute parking surcharges for transportation improvements

ACTIONS

The following actions support the Plan's Financial Strategies Chapter recommendations.

FINANCIAL STRATEGIES	
Proposed Actions	**Responsible Parties**
General Legislative and Funding Actions	
1. Develop an expenditure plan for an extension of the *TransNet* local transportation sales tax program and place a measure before the voters in November 2004. In developing the expenditure plan, priority consideration should be given to cost-effective projects that serve regional needs, implement RTP goals, and support smart growth principles.	SANDAG, Caltrans, local jurisdictions, and interested organizations
2. Maximize opportunities to leverage local transportation sales tax revenues to attract additional state and federal funds to the region for transportation and related infrastructure improvements.	SANDAG, local agencies
3. Support federal transportation legislation that provides for the following principles: a. Removing the Federal Highway Trust Fund programs from the Federal Unified Budget process; b. Establishing federal transportation program authorization and obligational authority levels based on actual and projected Trust Fund revenue levels including interest received; c. Maintaining or increasing the level of revenue flowing into the Trust Fund by increasing the federal gas tax rate and/or eliminating or reducing transfers of tax exemptions that shift transportation revenues to other purposes; d. Increasing the minimum 90.5 percent "fair share" return of federal highway revenues to California; e. Consolidating most federal highway categorical programs to provide greater flexibility and local discretion in highway fund usage; f. Authorizing a minimum five-year highway and transit program to provide needed program stability and continuity of federal transportation policy; and g. Providing for the continuation and expansion of the level of transit operating and capital support and providing greater flexibility in the use of such funds.	SANDAG
4. Support state transportation legislation that provides for the following principles: a. Increasing State highway revenues as needed to maintain, rehabilitate and operate the existing State highway system, to match all available federal highway funds, and to fully fund all new construction and right-of-way projects identified in the current State and Regional Transportation Improvement Programs (TIPs);	SANDAG

FINANCIAL STRATEGIES	
Proposed Actions	**Responsible Parties**
b. Ensuring that any reevaluation of the present formula "County Share" funding provisions and/or any other revenue distribution formula does not penalize counties that provide local sales tax or other local funding to state highway projects;	
c. Establishing state/local matching programs or other programs to reward counties that have implemented local sales taxes or other major local funding sources for transportation improvements;	
d. Sharing of both diesel fuel tax revenues and truck weight fees with local cities and counties and with Caltrans;	
e. Allowing local jurisdictions in cooperation with regional agencies to jointly determine the allocation of additional local street and road revenues; and	
f. Increasing transit revenues to support transit operating and capital improvements, including transit guideway projects.	
5. Support state and federal legislation providing for the additional gas tax funding, or equivalent funding from another revenue source, needed to implement those projects identified in the RTP.	SANDAG
6. Support state and federal legislation providing for the indexing of gas tax revenues to keep pace with inflation either by increasing the gas tax at regular intervals based on increases in the Construction Cost Index, or by changing the tax from a gallonage basis to a percentage basis so that revenues increase with the price of fuel.	SANDAG
Local Jurisdiction Actions	
7. Maintain current levels of local general fund and other local discretionary fund support to the local street and road program so that any new or increased revenues to the local street and road program will augment and not supplement current revenues.	Local jurisdictions
Transit Actions	
8. Aggressively pursue the continuation and expansion of existing sources of transit funding and support modifications to those sources to ensure full utilization and maximum flexibility.	SANDAG, transit operators
9. Work with local, state, and federal officials to ensure that the region receives an equitable share of available discretionary transit funds.	SANDAG, transit operators
10. Adjust fare levels as needed to maintain and improve farebox recovery levels over time in order to maximize the level of transit service that can be provided.	SANDAG, transit operators

FINANCIAL STRATEGIES	
Proposed Actions	**Responsible Parties**
11. Pursue private sector involvement in the funding of transit facility development and operation through developer contributions, benefit assessment districts, joint development and value capture projects, and other efforts to contribute toward unfunded regional transit facilities.	SANDAG, MTDB, NCTD, and local jurisdictions