

MTP/SCS Discussion Draft Revenues and Expenditure Summary

The Discussion Draft Preferred Scenario (Discussion Draft) revenues and budget are based on the Framework adopted by the Board at its December 2014 meeting. The Framework for a Draft Preferred Scenario (Framework 2.0¹) directs staff to develop a draft land use forecast, transportation revenue forecast and budget, and transportation project list. A large part of the work leading to the Discussion Draft was focused on identifying a range of possible revenue and budget strategies that could shift more investment into road and transit maintenance than the current plan. Attachments A and B are summary tables of the Discussion Draft expenditures and revenues.

The information described in the tables is intended to provide information to the SACOG Board related to two questions; 1) How much of the MTP/SCS budget should be shifted toward maintenance and rehabilitation of the existing road and highway system? 2) What strategies are available to the region for prioritizing the spending of new revenues, specifically Cap and Trade revenues, which could be reasonably assumed to be available during the MTP/SCS planning period?

The expenditures described in Table 1, Attachment A are reflective of the project list that was sent to local agency staff on January 26. SACOG anticipates that total expenditures will shift following further technical analysis and discussions with local staff during the six-week vetting period on the Discussion Draft. Part of the work SACOG staff will be undertaking during this review period will include analyzing projects that could shift outside of the plan without damaging system performance to make room for more maintenance and rehabilitation budget. Conversations regarding any changes to specific projects will be had on a case by case basis with local staff.

The expenditure categories used to describe the spending contained in the Discussion Draft represent broad groupings of projects of similar type. While there is certainly overlap between categories, such as road expansion projects that also include bicycle and pedestrian or operational elements, the categories are intended to illustrate the overall expenditure priorities contained in the plan. The following definitions provide additional detail about the types of projects contained in each expenditure category:

Maintenance & Rehabilitation- The primary purpose of projects in this category is to preserve, maintain, and rehabilitate the region's roads, highways, bridges, sidewalks and other bicycle and pedestrian facilities. Projects in this category may include:

- Routine and preventive maintenance projects intended to extend the life of roads, and highways, including sealing cracks, repairing pavement, cleaning and repairing drains, fixing signals, and sweeping streets
- More extensive repair, rehabilitation, and reconstruction of roadways, including sealing pavement, repaving, reconstructing subgrade and drainage, and reconfiguring intersections
- Bicycle, pedestrian, safety and aesthetic improvements, such as striping, curb ramps, sidewalk gap closures, rail crossings, and landscaping as part of larger rehabilitation projects
- Replacement, rehabilitation, painting, scour countermeasures, and bridge approach barrier and railing replacements on local and state-owned bridges

System Management, Operations, and ITS- The primary purpose of projects in this category is improve the efficiency, operations, and safety of the regional transportation system. Projects in this category may include:

- Non-capacity increasing intersection or interchange improvements

¹ <http://sacog.org/calendar/2014/12/board/pdf/10-MTP%20Framework.pdf>

- Intelligent Transportation System improvements such as traveler information and incident management technology
- Road and highway safety improvements such as guardrails, message signs, shoulder widening, and rumble strips
- Signal coordination and ramp metering

Road & Highway Capacity- The primary purpose of projects in this category is to expand the region's roads, highways, and bridges. Projects in this category may include:

- Addition of lanes on existing local roads and highways, including the addition of high-occupancy vehicle, auxiliary, and transition lanes on state highways
- New and expanded interchanges
- New or extended local roads and major arterials to accommodate new growth areas
- New or expanded bridges that add additional capacity over waterways, roads, or other barriers

Bicycle & Pedestrian- The primary purpose of projects in this category is to expand and improve the region's bicycle and pedestrian facilities. Projects in this category may include:

- New, extended, and completed sidewalks
- Bicycle and pedestrian bridges and intersection improvements including ADA-compatible ramps, bulb-outs, bicycle detection, and special crossing signals
- Bike lane striping and route signage
- Multi-use bicycle and pedestrian trails
- Other projects that support the implementation of local bicycle and pedestrian master plans and the Regional Bicycle, Pedestrian, and Trails Master Plan

Transit Capital- The primary purpose of projects in this category is to support the capital needs of the existing and expanded transit network included in the MTP/SCS. Projects in this category may include:

- The design and construction of new transit infrastructure and expansion of the existing system
- Replacement, renovation, or major repairs of existing or acquisition of new rolling stock such as buses, shuttles, and light rail vehicles.
- Replacement, renovation, or major repairs of fixed assets such as fixed guideway systems, stations, facilities, and equipment.

Transit Operations & Maintenance- The primary purpose of projects in this category is to operate and perform ongoing preventive maintenance on the regional transit system. Projects in this category may include:

- Operating assistance costs including fuels and lubricants, insurance, driver wages, administration and dispatch, routine or preventive maintenance (including engine maintenance, tires, cleaning, and other basic vehicle maintenance) that are part of the ongoing costs of providing transit service.

Programs & Planning- The primary purpose of projects in this category is to support ongoing planning, program, and project development efforts throughout the region. Projects in this category may include:

- Studies and planning intended to identify system safety, capacity, and operational needs
- Transportation Demand Management (TDM) programs such as rideshare, promotional campaigns, and incentives for telecommuting and alternative modes
- Air Quality programs such as Spare the Air
- Project development support for projects not included in the financially constrained MTP/SCS to account for spending on the early stages of development, including project design, preliminary engineering, environmental clearance, and right-of-way acquisition

Discussion Draft Budget

The Discussion Draft budget has two primary components; a base budget that includes all of the same revenue sources as the current plan and an expanded budget that includes assumption for new revenues SACOG believes could be reasonably available for this plan update.

Overall, the Discussion Draft makes progress toward increasing spending on system maintenance and preservation by adding about \$1.5 billion over the \$10.5 billion included in the current plan. This is a roughly 14% increase. This additional expenditure comes from a combination of shifting revenues in the base budget out of road and highway expansion and new revenues that could be available for maintenance and rehabilitation.

The \$1.5 billion represents a relatively small, but potentially meaningful dent in the overall needs SACOG identified in a staff report to the board in Summer of 2014 which identified a ten year need of \$3-4 billion with potential to become a \$10 to \$12 billion problem by the end of the plan unless more funding could be found to maintain the existing system.²

The base budget described in Section B of Table 1, Attachment A has lower overall revenues and expenditures than the current plan described in Section A of Table 1 by about \$300 million. This reduction is largely due to less funding available from fuel tax revenues that come to the region through a number of existing state and federal programs. The decrease in fuel tax projections is the result of slower growth in forecasted fuel price compared to the current plan. This decline is discussed further in the December Framework for a Draft Preferred Scenario.³

The only new revenue source included in the current plan and the Discussion Draft base budget is a new half-cent sales tax equivalent in Sacramento County which is assumed to be split equally between road maintenance and transit operations. However, ongoing discussions at the Sacramento Transportation Authority about how a potential future sales tax could be spent could require SACOG to revisit these assumptions and how they affect the overall plan budget.

The expanded budget described in Section C of Table 1, Attachment A adds in the new revenues described in more detail in Table 2, Attachment A. These new revenues result in an overall increase to the discussion draft budget of \$3.1 billion that could be included in this plan update. The largest increases come from \$1.5 billion in a potential new sales tax in Placer County and up to \$1 billion in Cap and Trade funding. The balance comes from a better accounting of Highway Bridge Program funds totaling roughly \$600 million. The Highway Bridge Program funds come to the region

² <http://sacog.org/calendar/2014/04/board/pdf/13-System%20Maintenance.pdf>

³ <http://sacog.org/calendar/2014/12/board/pdf/10-MTP%20Framework.pdf>

primarily for preserving and replacing structurally deficient or obsolete bridges, though in some cases, this funding can be used for bridge expansions.

The additional funding in the expanded budget results in a number of important changes to the expenditures in the Discussion Draft. For transit, despite less funding from existing revenues, additional funding, primarily from the Low Carbon Transit Program out of Cap and Trade, allows the Discussion Draft to maintain roughly the same level of transit service as the current plan. In terms of total vehicle service hours (VSH) of transit by 2036, both the current plan and Discussion Draft include more than double the amount of service compared to today, increasing total service by all types of transit from around 3,500 annual VSH today to approximately 8,100 annual VSH by 2036. Potential additional funding from the competitive Cap and Trade Intercity Rail program that could be captured by transit operators in the region would increase the Discussion Draft budget for rail or bus rapid transit expansion projects by up to \$200 million compared to the current plan.

On the road and highway expansion side, the Discussion Draft reduces the total amount of road and highway expansion projects by about \$200 to \$250 million compared to the current plan, representing a roughly 5% to 6% reduction in lane miles- from 1,550 to 1,450. Despite the overall reduction in lane miles, the Discussion Draft does include some notable new projects compared to the current plan including a much more expansive set of projects addressing congestion on the Capital City Freeway (SR 51) and some additional highway and interchange expansion projects on Highway 65 in Placer County, among other more local projects.

To maintain and make room for an expanded maintenance and rehabilitation budget, the Discussion Draft proposes to delay or exclude a large number of road and highway expansion projects. These projects are either tied to land use changes that are not assumed to occur during the planning period of the MTP/SCS (2012 to 2036) or can likely be delayed without significant implications for overall system performance. The overall budget for new capacity projects in the Discussion Draft is \$6.2 billion compared to \$6.4 billion in the current plan, a 3% reduction in spending.

The total cost of road and highway expansion projects nominated by local sponsors for consideration in the MTP/SCS update started at \$9.2 billion. In total, \$3 billion in expansion projects are not included in the Discussion Draft as shown in Section D of Table 1, Attachment A. Of this, local agencies proposed about \$1.6 billion in projects that could be delayed until after 2036 or removed from consideration for this plan update. SACOG staff's analysis thus far has identified another \$500 million in projects that are included in the current plan, but that could be delayed to post-2036 without sacrificing overall system performance. Another \$900 million in project nominations that are new to this plan update are not included in the Discussion Draft because SACOG's modeling shows that they are likely adding road capacity that would go underutilized by 2036 based on the increase in travel demand forecast in the Discussion Draft. However, the assumptions about delayed projects are still being analyzed by SACOG and subject to change pending discussions with sponsor agency staff.

The 3% reduction in total road and highway expansion project costs allows the discussion draft to shift about \$250 million to the maintenance and rehabilitation budget. Staff is still investigating opportunities to increase this amount, but there are challenges in identifying candidate projects to that would result in meaningful savings. Some of the challenge of finding more money for maintenance is related to the sources of revenues paying for projects. In certain cases, particularly where new road or highway projects are tied to development, or part of an existing fee program, those revenues are not available to transfer to another purpose. In other cases, a road or highway expansion project may be needed to relieve a congestion bottleneck or accommodate vehicle trips generated by a new land use development. Delaying these projects could erode overall system performance or result in new or worsened bottlenecks.

The largest portion of the \$1.5 billion increase for the maintenance and rehabilitation budget in the Discussion Draft is due to assumed new revenues. As mentioned previously, about \$600 million of this comes from better accounting of Highway Bridge Program funding. A new ½ cent sales tax measure in Placer County would likely also generate additional funding for road maintenance, though assumptions regarding the use of these revenues are still being discussed by Placer County Transportation Planning Agency as part of their regional transportation plan update.

One potential source of funding explored in the Discussion Draft is the Cap and Trade funding described in more detail in Attachment B. This funding source could generate up to \$1 billion from a combination of formula and competitive grants that support greenhouse gas reducing projects. As discussed above, some of these revenues are available for transit operations and help the Discussion Draft maintain the service from the current plan. Another portion of these revenues is available for intercity rail and bus rapid transit capital projects. Lastly, the Discussion Draft assumes that up to \$400 million could be captured by this region for transportation projects through the competitive Affordable Housing and Sustainable Communities Program.

This budget assumption is an idea for the SACOG Board to discuss: the Discussion Draft budget assumes the funds will be used in a way that is consistent with historic board actions regarding SACOG's Regional Funding Programs, which prioritize fix-it-first (i.e., rehabilitation) projects that present opportunities to enhance complete streets and active transportation. This type of approach would be dependent on identifying projects on the existing system where road condition, lack of complete streets elements, and surrounding land uses are an obstacle to greater utilization by bicycles, pedestrians, and transit. Projects that could utilize state cap and trade funding to better address the needs of non-automobile modes as part of a larger rehabilitation project may be competitive for these statewide funds.

SACOG staff will present additional information to the Board in February and March to support its discussion on the expenditure priorities in the MTP/SCS and how the plan should address system maintenance and preservation questions such as:

- What do the increases in the maintenance and rehabilitation budget buy the region in terms of meeting short- and long-term maintenance needs?
- What does the region give up by shifting funding from expansion projects into maintenance and rehabilitation?
- Is there more that the MTP/SCS can do toward meeting the region's maintenance needs?
- Are the assumptions regarding the spending of new revenues, particularly Cap and Trade revenues, something the Board is interested in investigating further?

1) Expenditures	Budget Category	A. Current MTP/SCS		B. Base Revenue Expenditures by Budget Category		C. Base + New Revenue Expenditures by Budget Category		D. Not in Discussion Draft Preferred Scenario		
		Plan Expenditures	% of Total Expenditures	Expenditures	% of Total	Expenditures	% of Total	Projects removed by sponsor agency	Current plan projects delayed to post-2036 in Discussion DPS	New projects proposed by sponsors, but not included in Discussion DPS
	Maintenance & Rehabilitation	\$10.5	32%	\$10.8	34%	\$12.3	35%	\$0.1	\$0.0	\$0.0
	System Management, Operations, and ITS	\$0.8	2%	\$0.8	2%	\$1.5	4%	\$0.1	\$0.0	\$0.0
	Road & Highway Capacity	\$6.4	20%	\$6.2	19%	\$6.2	18%	\$1.6	\$0.5	\$0.9
	Bicycle & Pedestrian	\$2.5	8%	\$2.6	8%	\$2.8	8%	\$0.1	\$0.0	\$0.0
	Transit Capital	\$3.3	10%	\$3.0	9%	\$3.5	10%	\$0.3	\$0.5	\$0.1
	Transit Operations & Maintenance	\$7.1	22%	\$6.9	22%	\$7.1	20%	\$0.0	\$0.4	\$0.0
	Programs & Planning	\$1.8	6%	\$1.8	6%	\$1.8	5%	\$0.0	\$0.0	\$0.0
	TOTAL EXPENDITURES	\$32.4	100%	\$32.1	100%	\$35.2	100%	\$2.2	\$1.4	\$1.0

2) Revenues	Revenue Source	Discussion DPS Budget	Notes
		Base Revenues	\$32.1
	<i>Federal Highway</i>	\$2.1	All projections are preliminary and subject to change through additional research, refinement, and coordination with partner agencies.
	<i>Federal Transit</i>	\$1.4	
	<i>State Fuel Taxes</i>	\$9.2	
	<i>State Transit</i>	\$1.2	
	<i>Sales Tax</i>	\$6.1	
	<i>Other Local Revenues</i>	\$9.9	
	<i>Transit Fares</i>	\$2.2	
	New Revenues	\$3.1	
	Highway Bridge Program (Bridge Maintenance & Preservation)	\$0.6	These additional revenues more fully account for funds from the Highway Bridge Program (HBP). The purpose of the HBP is to replace or rehabilitate public highway bridges over waterways, other topographical barriers, other highways, or railroads when the State and the Federal Highway Administration determine that a bridge is significantly important and is unsafe because of structural deficiencies, physical deterioration, or functional obsolescence.
	Placer 1/2 cent Sales Tax	\$1.5	Based on the Placer County Transportation Planning Agency draft RTP financial element.
	Cap & Trade (by 2020)	\$0.2	Cap and Trade revenues are made up of the 35% of auction proceeds that are allocated to Affordable Housing & Sustainable Communities (20%) (with 10% available to projects that reduce VMT and auto trips under the Sustainable Communities program), Intercity Rail (10%), and Low Carbon Transit (5%). The region's capture of these revenues assumes SACOG member agencies receive revenues roughly equivalent the region's share of statewide population. Consistent with Board direction to focus this plan update on fix-it-first projects, the Discussion DPS assumes revenues captured under the Sustainable Communities program would support roadway rehabilitation projects that provide strong complete streets opportunities that encourage biking, walking, and transit use.
	Cap & Trade (2021-2036)	\$0.8	The Governor's budgets for FY 14/15 and 15/16 allocate an additional 20% to ARB's Low Carbon Transportation Program. Assuming SACOG agencies are eligible for these programs, this could create an another roughly \$700 million for the plan.
	TOTAL REVENUES (Base + New)	\$35.2	

Potential Statewide Cap and Trade Revenues				
	Program Share	Potential Revenues By 2020	Potential Revenues 2021-2036	Assumptions and Program Descriptions
Total Auction Proceeds	100%	\$11.5	\$46.7	Assumes all available state-owned allowances will be purchased at the minimum reserve price through 2020. For 2021 to 2036, assume 5% growth in reserve price as set by the state and maintain a consistent number of allowances available in each fiscal year based on the average number of allowances sold between FYs 2013/14 and 2019/20. Actual revenues available will vary depending on state policy, technology, and the market prices for allowances.
High Speed Rail	25%	\$2.9	\$11.7	These funds will support the construction of the California High-Speed Rail project.
Other Programs (allocated annually)	40%	\$4.6	\$18.7	These funds will be allocated annually to support a variety of other programs aimed at reducing greenhouse gas emissions such as clean energy, energy conservation, low or zero emission vehicles, and fire prevention and urban forestry.
Affordable Housing and Sustainable Communities	20%	\$2.3	\$9.3	
<i>Affordable Housing</i>	<i>10%</i>	<i>\$1.2</i>	<i>\$4.7</i>	<i>Half (10% of the 20%) must be used for affordable housing that supports infill and compact development.</i>
<i>Sustainable Communities</i>	<i>10%</i>	<i>\$1.2</i>	<i>\$4.7</i>	<i>Half (10% of the 20%) may be available for projects aimed at reducing auto trips and vehicle miles traveled in regional transportation plans/sustainable community strategies, including complete streets and active transportation style projects.</i>
Intercity Rail	10%	\$1.2	\$4.7	These funds are for commuter and inter-regional rail and bus rapid transit projects.
Low Carbon Transit Operations	5%	\$0.6	\$2.3	Funding goes out under the State Transit Assistance formula for new and expanded service (including equipment); and 50% of the funding must be expended for disadvantaged communities.

Potential Discussion DPS Cap and Trade Revenues				
	Share of Statewide Revenues	Potential Revenues By 2020	Potential Revenues 2021-2036	Assumptions and Program Descriptions
Sustainable Communities	Equal to population Share (roughly 6.2% increasing to 7% by 2036)	\$0.1	\$0.3	Included in expanded Discussion DPS Maintenance and Rehabilitation budget to support fix-it-first investments that present complete streets and active transportation opportunities.
Intercity Rail		\$0.1	\$0.3	Included in expanded Discussion DPS transit capital budget for eligible intercity rail and BRT projects.
Low Carbon Transit Operations		\$0.04	\$0.2	Included in expanded Discussion DPS transit operating budget for new and expanded service in eligible communities. Funds are distributed via existing State Transit Assistance formulas to transit operators.
Total		\$0.2	\$0.8	