



Land Use & Natural Resources Committee

2016 MTP/SCS Preliminary Revenue Analysis

Issue: SACOG is updating revenue projections for the planning period (2012-2036) covered by the new Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS).

Recommendation: None. This item will be presented to all three Board committees for information and discussion.

Discussion: The Policy Framework for the 2016 MTP/SCS update, adopted by the Board in December 2013, poses the question: Can the region capture the revenues projected to come from all sources local, state and federal? To answer this question, staff is beginning work to update the plan's revenue projections, considering long-term and historic trends, near-term and recent economic changes, and potential changes in the local, state, and federal funding landscape. This item is intended to: (a) provide the Board with some background on the current set of financial assumptions underlying the 2012 MTP/SCS, as described in Attachment A; (b) highlight some of the funding variables staff will be exploring over the coming months; and (c) receive Board input and direction on additional considerations for staff to investigate in order to prepare a set of preliminary budget assumptions for more Board input in the fall. All of this work builds toward an anticipated Board action on a preferred scenario framework and draft plan budget in December 2014.

Attachment A provides information about the funding sources projected in the current MTP/SCS including the eligible activities and average growth rate for each source. The attachment also lists some potential new funding sources that the Board could consider during this plan update. Federal law requires the MTP/SCS to be financially constrained, meaning that the plan must contain a budget forecast that estimates the revenues that can be "reasonably expected" to come to the region during the period covered by the plan. Forecasting future revenue is extremely challenging, particularly at this time of uncertainty for state and federal transportation funding programs. In the near term (four to six years), funding projections are fairly specific and frequently based on funding formulas that provide some level of certainty about the level of funding available. However, as with many of the assumptions in long-range planning documents, the uncertainty about funding levels grows as the projections move farther into the future. Staff will review the growth rates and activities listed under each of the revenue sources in Attachment A to develop a reasonable budget forecast that will support the transportation investments in the plan, based on the latest information available.

Most funding available for transportation purposes comes from a handful of sources, including fuel and sales taxes, vehicle registration fees, trucking fees, and a number of local assessments, such as fees and assessments on new development. Staff will consider a number of variables that influence these funding sources, including historic and current trends in fuel prices and consumption, sales on taxable goods, vehicle stock, freight movement, and local housing and employment growth to build a foundation for the MTP/SCS financial forecasts. Staff will also consider current discussion and debate at the state and federal levels regarding the future of transportation funding. The current federal transportation authorization, Moving Ahead for Progress in the 21st Century (MAP-21), expires in September 2014. Congress is debating a number of proposals to shore up the Highway and Transit Trust Funds and adopt a new authorization package, or continuing resolution, that will fund federal transportation investments for the next six months to six years. At the state level, new revenue from the Cap and Trade program, as well

as other potential solutions for long term funding security, may also influence the plan's budget. Local funding structures, including fees and taxes, are also subject to change, and SACOG will work with its member agencies to better understand the likely trajectory of these funding sources. Even after considering all of these variables, the financial assumptions underlying the plan will have some level of uncertainty. However, the four-year update cycle for the MTP/SCS makes the plan fairly adaptable and nimble enough to account for an ever-changing set of financial, economic, and policy circumstances.

Staff seeks Board input on other revenue issues staff should consider as we work with local, state and federal partner agencies, research and analyze past and current revenue trends, and research new or innovative funding mechanisms.

Approved by:

Mike McKeever
Chief Executive Officer

MM:CH:gg
Attachment

Key Staff: Kacey Lizon, MTP/SCS Manager, (916) 340-6265
Sharon Sprowls, Senior Program Specialist, (916) 340-6235
Clint Holtzen, Associate Planner, (916) 340-6246

Attachment A: 2012 MTP/SCS Budget and Assumptions

	2012 MTP/SCS Budget	2012 MTP/SCS Assumptions	Eligible Activities
FEDERAL			
-Congestion Mitigation and Air Quality (CMAQ)	\$0.6 Billion	Annual growth of 5% based on historic increases in apportionments during federal authorizations (TEA-21 and SAFETEA-LU).	Non-capacity projects that improve air quality and reduce congestion, including limited transit operations
-Regional Surface Transportation Program (RSTP)	\$0.5 Billion		Road and highway rehabilitation and new construction including bicycle and pedestrian projects. Also available for transit capital projects.
FTA Funds: 5307, 5309(a), (5309(c) 5310, 5311(b), 5313, 5317	\$1.0 Billion		Transit capital and operations
FTA 5309(b) New Rail Starts	\$0.2 Billion	Funding for 50% of the cost of major new rail extensions (e.g. Green Line).	Fixed guideway (light rail, streetcar, dedicated BRT) transit projects
STATE			
State Highway Operations and Protection Program (SHOPP)	\$3.0 Billion	Average annual growth of 3.1 % based on: 1. California Energy Commission 2009 estimates for fuel price and consumption 2. Caltrans 2009 estimates for truck weight fees 3. Obligation Authority from Federal Trust Fund	State highway operations and maintenance
Interregional Transportation Improvement Program (STIP- ITIP)	\$0.4 Billion	Total STIP funding split between the ITIP (25%) and RTIP (75%)	State highway improvements
Regional Transportation Improvement Program (STIP- RTIP)	\$1.4 Billion	Average annual growth of 6.7% based on: 1. California Energy Commission 2009	Capital improvements on state highways and local roads, bicycle and pedestrian projects, major reconstruction, and transit capital

	2012 MTP/SCS Budget	2012 MTP/SCS Assumptions	Eligible Activities
State Highway Maintenance	\$1.5 Billion	State Highway Maintenance will continue to receive transfers from the State Highway Account at an escalating rate of 2.8% to account for inflation.	State highway maintenance
Intercity Rail (Operations)	\$0.7 Billion	Annual growth of 4.9% based on rate of increase in estimated operating expenses reported in the 2008 California State Rail Plan.	Capital Corridor and San Joaquin rail operations
State Transit Assistance	\$0.4 Billion	75% of diesel sales tax revenues transferred from the PTA to STA. 4.2% average annual growth based on California Energy Commission 2009 estimates for diesel price and consumption.	Transit capital and operations
Proposition 1B- Public Transportation Modernization, Improvement, and Service Enhancement Account Program	\$0.2 Billion	Based on expenditure plans from 2006 Proposition 1B. Bond funding fully allocated by FY 2017/18.	Transit capital
LOCAL			
Local Transportation Fund (LTF)- 1/4 cent of state sales tax dedicated to transportation	\$1.6 Billion	Annual average growth of 5% based on Sacramento Transportation Authority estimates of sales tax revenues.	Road, bicycle, pedestrian, and transit capital and maintenance
Measure A- 1/2 cent sales tax in Sacramento County	\$2.1 Billion		Road and transit capital and maintenance
Measure B- 1/2 cent sales tax or equivalent funding mechanism in Sacramento County	\$2.0 Billion	Same as above with revenues beginning in FY 2015/2016.	Road maintenance and transit capital/operations
Excise tax on gasoline allocated to local streets and roads	\$1.4 Billion	Average annual growth in excise tax of 2% based on 2008 Caltrans fuel consumption forecasts.	Road, bicycle, pedestrian, and transit capital and maintenance

	2012 MTP/SCS Budget	2012 MTP/SCS Assumptions	Eligible Activities
New indexed gasoline excise tax allocated to local streets and roads (replaces old gasoline sales tax)	\$1.5 Billion	<p>44% of the revenues generated by the new excise tax on gasoline (after reductions for debt service payments) flows to local streets and roads. The state controller will adjust the excise tax annually to compensate for the loss of the gasoline sales tax.</p> <p>Average annual growth of 7% based on California Energy Commission 2009 estimates for fuel price and consumption</p>	Road and transit capital and maintenance
Locally derived streets and roads funding (developer fees, general fund contributions, special assessments, etc.)	\$6.0 Billion	<p>Based on 10-year historical average of budget information provided by local jurisdictions to the California State Controller. Contains all revenues from local sources dedicated to local streets and roads.</p> <p>Annual growth of 1% per year through 2014, 2% in 2015, 3% in 2016, 3.2% in 2017 through 2024, and 4% in 2025 and thereafter.</p>	Primarily road capital including bicycle and pedestrian improvements, limited transit and road maintenance
Developer In-Kind	\$2.7 Billion	Estimated using average cost per mile for developer built roads. Average annual growth of 3.1% based on growth in new housing units.	Road, bicycle and pedestrian improvements
Caltrans Discretionary Funds	\$0.6 Billion	Assume regional capture of 5% of the statewide total with 2.5% average annual growth in available funding.	Road, transit planning and capital

	2012 MTP/SCS Budget	2012 MTP/SCS Assumptions	Eligible Activities
Transit Fare revenues	\$2.1 Billion	Average annual growth of 5% based on SACOG ridership increases of more than 150% over 2008 levels by 2035 and increases in average fare per rider from fare increases and more full-fare choice riders.	Transit operations
NEW & INNOVATIVE FINANCING			
Mileage Based User Fees (VMT Tax)	NONE		
Cap and Trade Revenues	NONE		
Local Option Sales Taxes	NONE		
New State or Local Bond Measures	NONE		
Freight Fees or National Freight Program	NONE		
New Value Capture Special Districts	NONE		