IV. FINANCIAL PLAN

The financial plan identifies how much money is available to support the region's surface transportation investments including transit, highways, local road improvements, system preservation and demand management goals. It also addresses the need for investment in goods movement infrastructure. Improving ground access in and around major goods movement facilities, and enhancing major highways and railways are critical to maintaining the health of Southern California's economy. The 2008 RTP calls for traditional and non-traditional revenue sources for implementing a program of infrastructure and environmental improvements to keep both freight and people moving.

The 2008 RTP financial plan identifies a number of new revenue sources to provide additional funding beyond existing transportation dollars. The SCAG region's financially constrained plan includes a core revenue forecast of existing local, state, and federal sources along with new funding sources that are reasonably available over the time horizon of the RTP. The plan also includes action steps to obtain the revenues necessary for implementing the region's transportation vision. The region has successfully secured the necessary resources to support transportation investments proposed in past RTPs and this plan will continue to meet the necessary milestones for implementation. Since 2002, three counties within the SCAG region (Riverside, San Bernardino, and Orange) reauthorized their local sales tax measures with overwhelming voter approval. More recently, the general electorate of California approved Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, which provides $19.9 billion in infrastructure bonds for transportation improvements throughout the state. Additional legislative gains include the protection of Proposition 42 revenues (sales tax on gasoline) for transportation purposes with the passage of Proposition 1A.

In 2006, the State Legislature also reviewed the potential for using public-private partnerships to facilitate project delivery. With the passage of AB 1467 (Nunez, Chapter 32, Statutes of 2006), the state established a framework for moving forward with partnership demonstration projects. Further, AB 521 (Runner, Chapter 542, Statutes of 2006) clarified the State Legislature's role in evaluating partnership proposals, mandating that the Legislature can only disapprove of the proposals. AB 1467 authorizes two public-private partnerships related to goods movement in Southern California. The bill also authorizes the implementation of high-occupancy toll (HOT) lanes, which would allow the region to better utilize its High-Occupancy Vehicle (HOV) lanes and generate toll revenues. Recent passage of AB 1467 and AB 521 provides a sound basis for SCAG's 2008 RTP financial strategies.

In developing the financial plan, SCAG followed a few basic principles to guide its regional financial forecast:

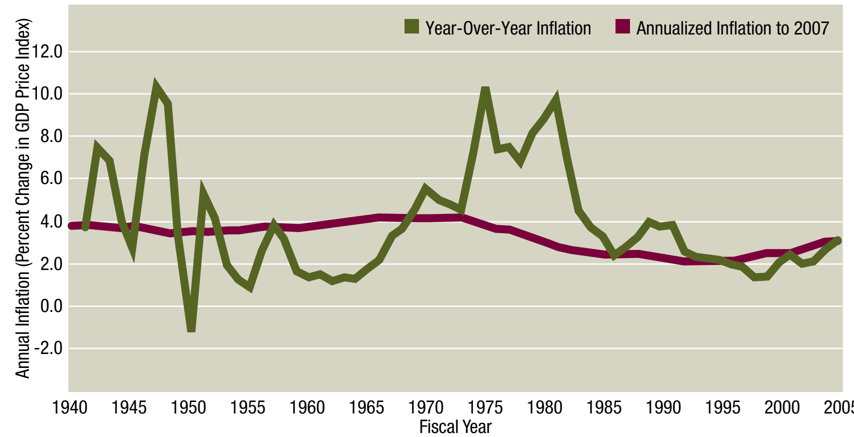
- Incorporate financial planning documents developed by local county transportation commissions and transit operators in the region where available
- Ensure consistency with both local and state planning documents
- Utilize published data sources to evaluate historical trends and augment local forecasts as needed, and
- Recommend new funding sources that target beneficiaries of transportation investments

The rest of the plan outlines our financial strategies and provides documentation of the financial assumptions and methodologies used for forecasting revenues and expenditures.

The Economic Outlook

Overall economic conditions play a large role in determining the level of revenues available for transportation. Although it is difficult to predict the future, SCAG's financial model takes a conservative approach in forecasting the latter years of the RTP planning horizon. The approach also includes maintaining historical growth trends for key revenue sources, including locally generated sales tax revenues as well as both state and federal gas tax revenues.

FIGURE 4.1 HISTORICAL INFLATION TRENDS



Source: Office of Management and Budget, Budget of the United States Government, Fiscal Year 2008 Budget (FY08).

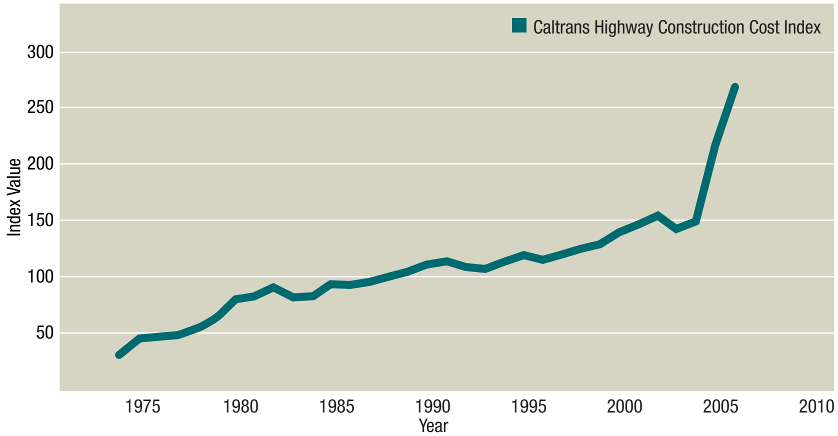
INFLATION

The effect of inflation over a long-range plan is significant, particularly in the last few years when inflation has had nearly 30 years to erode the value of money. This causes both costs and revenues to be higher in nominal dollar terms. Figure 4.1 shows inflation trends since World War II as measured by the Gross Domestic Product (GDP) Price Deflator. Inflation has varied considerably over the long term, but has trended between 2 and 4 percent, as illustrated by the red line. In recent years, inflation has increased. SCAG's revenue model utilizes historical inflation trends as measured by the GDP Price Deflator – an approach consistent with that used by the Federal Office of Management and Budget in preparing the Budget of the United States Government. On the basis of this information, a 3.8 percent inflation rate is used to adjust revenue model data to nominal dollars (year-of-expenditure dollars).

CONSTRUCTION COST INCREASES

While revenues can be eroded by inflation, construction costs in California and the nation have escalated considerably over the last four years. This has been a major impediment to delivering transportation projects. The recent large increase in construction costs is due to a variety of factors, including a building boom and higher demand for commodities in developing countries, especially China with construction for the 2008 Olympics. Figure 4.2 shows the increase in California highway construction costs. It is unlikely that costs will continue to increase at a such a rapid rate in the future. The increase over the last few years is unprecedented. The financial plan uses a 5.3 percent annual inflation factor to estimate future, nominal costs.

FIGURE 4.2 HIGHWAY PROJECT COSTS



Source: California Department of Transportation

RETAIL SALES GROWTH

Available land, population increases, and new retail locations are the biggest contributors to growth in retail sales. According to statistics from the California Board of Equalization, retail sales grew by 2.3 percent in the SCAG region from FY1978 to FY2004, a period roughly equal in length to the 2008 RTP. Growth was uneven, ranging from 1.3 percent in Los Angeles County to 5.5 percent in Riverside County. The financial plan assumes that uneven growth will continue, with retail sales growth ranging from 1.2 to 4.7 percent.

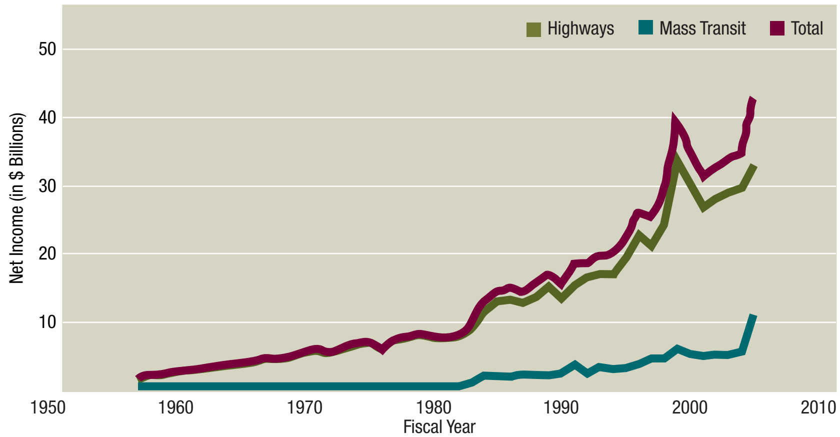
FUEL CONSUMPTION

Taxes on gasoline and diesel fuels are the basis of many transportation revenue sources. These types of revenues are solely dependent on fuel consumption. Over the next several decades, fuel consumption will continue to be impacted by increases in vehicle-miles traveled, increases in conventional vehicle fuel economy, and the adoption of alternative fuel vehicles. While Caltrans estimates that fuel consumption statewide will increase by 1.7 percent between 2004 and 2030, the financial plan takes a more conservative approach and assumes that fuel consumption will not increase over the RTP planning horizon.

STATUS OF THE FEDERAL HIGHWAY TRUST FUND

The Federal Highway Trust Fund provides federal highway and transit funding from a nationally imposed 18.3-cent-per-gallon gasoline tax. The Federal Highway Trust Fund has grown by 3.4 percent annually due to historical increases in fuel consumption, but recently, a larger share is being devoted to transit, as shown in Figure 4.3.

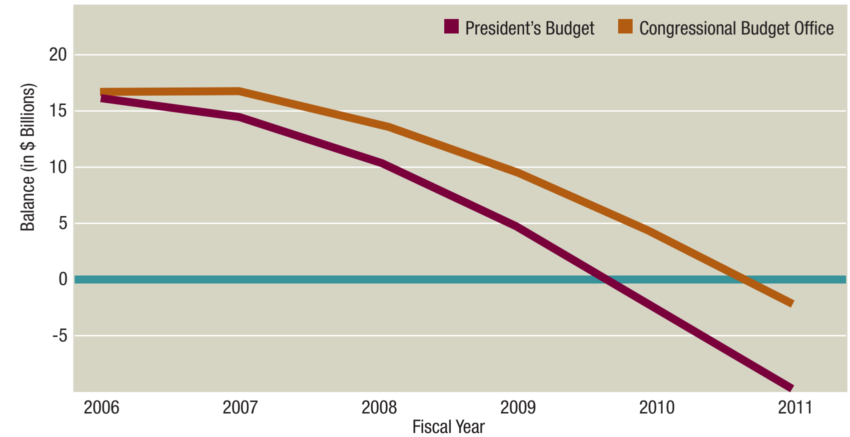
FIGURE 4.3 STATUS OF THE FEDERAL HIGHWAY TRUST FUND



Source: Federal Highway Administration, Federal Highway Statistics 2005

Many public officials and transportation professionals have become concerned about the health of the Federal Highway Trust Fund, as expenditures authorized under Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) have outstripped revenues generated by the tax. Figure 4.4 shows a chart from a recent Government Accountability Office (GAO) analysis of Federal Highway Trust Fund forecasts. Congressional leadership has shown concern over the problem and the SCAG 2008 RTP assumes that Congress will take action to ensure that the Highway Trust Fund maintains current funding levels.

FIGURE 4.4 CURRENT HIGHWAY TRUST FUND YEAR-END BALANCE ESTIMATES

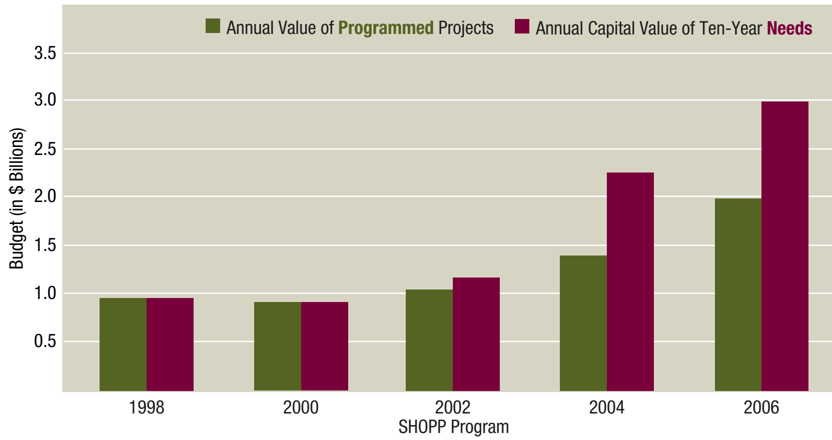


Source: United States Government Accountability Office, Highway Trust Fund: Overview of Highway Trust Fund Estimates, GAO Testimony before the Subcommittee on Highways, Transit, and Pipelines, Committee on Transportation and Infrastructure, GAO-06-572T

STATUS OF THE STATE HIGHWAY ACCOUNT

The viability of the State Highway Account remains a critical issue. The state's gasoline tax revenues are now exclusively dedicated to funding the State Highway Operation and Protection Program (SHOPP). As shown in Figure 4.5, previous levels of funding have been considerably less than actual needs. Continued under investment in the rehabilitation and maintenance needs of the State Highway System has serious ramifications—rapidly increasing the number of distressed lane-miles on the State Highway System and eroding the condition of the state's bridges.

FIGURE 4.5 STATE HIGHWAY OPERATION AND PROTECTION PROGRAM



Source: California Department of Transportation, 2007 Ten-Year SHOPP Plan

Statewide, the 2007 Ten-Year SHOPP Plan identifies $4.2 billion in annual needs, while fiscally constrained funding plan for the next four years are only $1.9 billion annually. The RTP assumes that the State Legislature will address this need through an adjustment in the state gas excise tax and that other revenues will continue to be available for capital projects.

AIR QUALITY ATTAINMENT

Air quality determines the amount of Congestion Mitigation and Air Quality (CMAQ) funding available to the SCAG region. The 2008 RTP assumes that the region will be in attainment for a number of pollutants. It also assumes the severity level for other pollutants will lessen as of 2020. As a result, CMAQ funding is halved.

LOCAL SALES TAX MEASURES

Most of the counties in the SCAG region impose a local sales tax to fund transportation projects. Ventura County is the only county in the region without a dedicated sales tax. In recent years, several local sales taxes have been renewed and the 2008 RTP reflects these additional revenues:

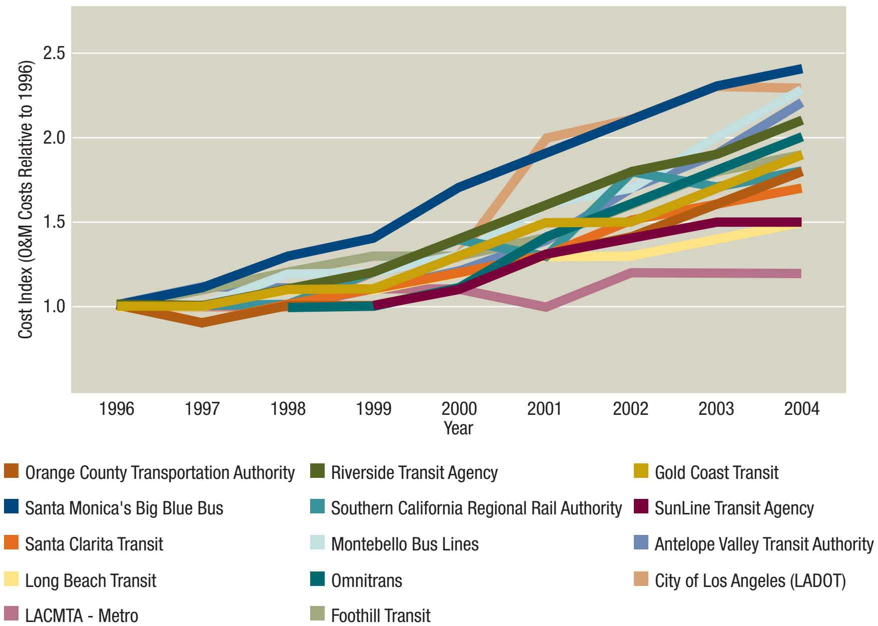
- San Bernardino County renewed Measure I through 2040.
- Riverside County renewed Measure A through 2039.
- Orange County recently renewed Measure M through 2041.

Los Angeles County levies a permanent 1 percent tax (a combination of two half-cent sales taxes). In Imperial County, Measure D will expire in 2010. However, the 2008 RTP assumes an extension of Measure D as part of new revenue sources.

TRANSIT OPERATING AND MAINTENANCE (O&M) COSTS

Future transit O&M costs are difficult to predict because they depend on a variety of factors, such as future revenue-miles of service, labor contracts, and the age of rolling stock. The addition of new transit service and capital projects, such as the Mid-City/Exposition Corridor Light Rail Transit (LRT), can add to ongoing O&M costs. Over the last decade, these O&M costs grew 1 to 10 percent annually, depending on the transit operator (see Figure 4.6). Some of the differences in O&M growth are due to rapid expansion among the newer operators and outsourcing among the older operators.

FIGURE 4.6 GROWTH IN TRANSIT OPERATING AND MAINTENANCE COSTS



Source: SCAG Analysis of National Transit Database Statistics

For the 2008 RTP, transit O&M costs are estimated based upon historical increases:

- The regional average increase (4 percent) is used for most operators. This assumes that some of the extraordinary increases for individual operators due to rapid expansion will not continue into the future.
- For Los Angeles County, the financial plan relies on detailed forecasts from the county transportation commission. These forecasts are consistent with historical data and take into account large shifts in O&M costs due to major capital projects.

DEBT SERVICE

Local agencies in the SCAG region have historically relied on debt financing to ensure that revenues are available to meet the cash flow requirements of future expenditures. The Los Angeles County Metropolitan Transportation Authority (LACMTA - Metro) has a detailed county financial model that estimates debt service on a project basis. Other county transportation commissions prepare debt service forecasts for rating agencies and report current debt service in their comprehensive annual financial reports (CAFRs). The 2008 RTP includes all outstanding commitments and interest payments on future bonds and commercial paper. Issued debt is expected to remain under debt ceilings. For counties without an established policy, debt service is assumed to be constrained to 50 percent of revenues.

Definition of Revenue Scenarios and Expenditure Categories

CORE AND REASONABLY AVAILABLE REVENUE SCENARIOS

For the 2008 RTP, SCAG prepared two types of revenue forecasts. Both are included in the financially constrained plan:

- Core revenues
- Reasonably available revenues

The *core revenues* identified are those that have been committed or historically available for the building, operations, and maintenance of the current roadway and transit systems in the SCAG region. Essentially, these revenues are existing transportation funding sources projected to FY2036. The core forecast includes neither future increases in tax rates nor extensions of tax measures beyond their expiration date—unless already approved through ballot initiatives. These revenues provide a benchmark from which additional funding can be identified.

The region's *reasonably available revenues* include new sources of transportation funding likely to materialize within the 2008 RTP time frame. These new sources include adjustments to state and federal gas tax rates based on historical trends, extension of a local option sales tax, localized value capture strategies, container fees, as well as passenger and commercial truck tolls for specified facilities. Reasonably available revenues also include innovative financing strategies, such as private equity participation. In accordance with federal guidelines, the plan includes strategies for ensuring the availability of these sources.

EXPENDITURE CATEGORIES

Transportation expenditures in the SCAG region can be summarized into three main categories:

- Capital costs for state highways, regionally significant arterials, local streets and roads, as well as transit
- Operating and maintenance costs for state highways, regionally significant arterials, local streets and roads, as well as transit
- Debt service payments for current and anticipated bond issuances

Core Revenues

A regional revenue model was developed to forecast the revenues over the entire RTP time horizon. The revenue model is detailed and supports analysis by county or funding source. The basic process for developing the revenue forecast is as follows:

- Build on the revenue forecasts provided by the county transportation commissions
- Add assumptions based on historical data
- Compare historical data to Short-Range Transit Plans and other agency documents
- Work with the transportation commissions to modify assumptions and forecasts as needed

The region's revenue forecast horizon for the 2008 RTP is FY2007 through FY2036. Consistent with federal guidelines, the 2008 RTP takes into account inflation and reports statistics in nominal (year of expenditure) dollars. Table 4.1 shows these core revenues in five-year increments by county.

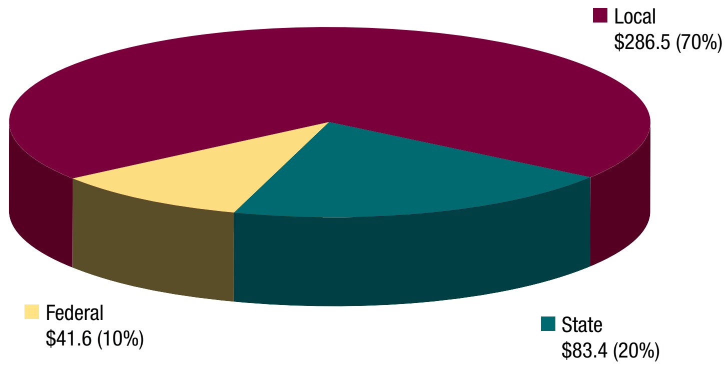
TABLE 4.1 CORE REVENUE FORECAST FY 2007-2036 (IN NOMINAL DOLLARS, BILLIONS)

County	FY2007-11	FY2012-16	FY2017-21	FY2022-26	FY2027-31	FY2032-36	Total
Imperial	$0.4	$0.4	$0.3	$0.4	$0.4	$0.4	$2.3
Los Angeles	$29.1	$30.5	$32.8	$39.7	$45.3	$53.2	$230.6
Orange	$6.8	$7.8	$9.2	$11.5	$14.4	$17.9	$67.7
Riverside	$4.3	$5.3	$6.8	$9.0	$12.9	$18.5	$56.8
San Bernardino	$5.2	$5.7	$6.6	$7.1	$8.9	$11.4	$44.9
Ventura	$1.0	$1.1	$1.2	$1.5	$1.9	$2.4	$9.1
Total	**$46.8**	**$50.7**	**$56.9**	**$69.2**	**$83.8**	**$103.9**	**$411.4**

Note: Numbers may not add due to rounding.

As shown in Figure 4.7, the majority of revenues in the SCAG region come from local sources. The share of state sources (20 percent) has increased since the last RTP (15 percent) as a result of two propositions. Proposition 1A protects funding from the state gasoline sales tax, and Proposition 1B authorizes $19.9 billion in bonds over the next several years to fund existing and new statewide transportation-related infrastructure programs.

FIGURE 4.7 SCAG REGIONAL REVENUES (IN NOMINAL DOLLARS) $411.4 BILLION TOTAL



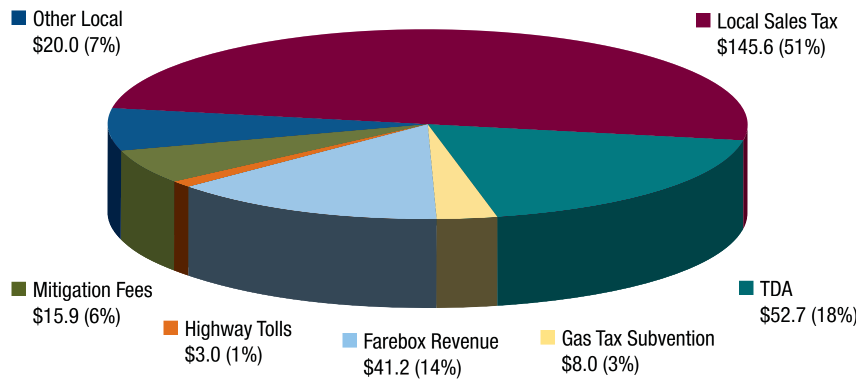
Source: SCAG Revenue Model 2007

Note: Numbers may not add due to rounding.

Local option sales taxes provide the largest single source of local funding as shown in Figure 4.8 and compose roughly a third (35.6 percent) of overall funding for the RTP. Local sales tax revenues have been boosted by the renewal of several local measures.

Specifically, sales tax extensions have significantly increased the funding available in San Bernardino and Riverside Counties and their shares of overall regional transportation revenues. Figure 4.9 shows the breakdown of revenues by county.

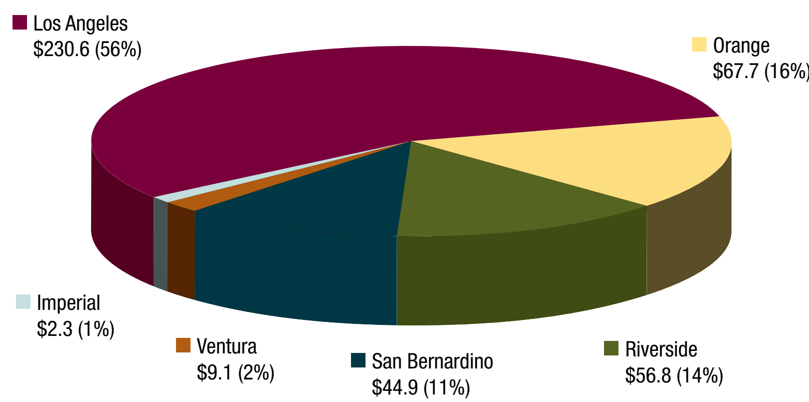
FIGURE 4.8 SCAG REGIONAL REVENUES, LOCAL SOURCES (IN NOMINAL DOLLARS) $286.5 BILLION TOTAL



Source: SCAG Revenue Model 2007

Note: Numbers may not add due to rounding.

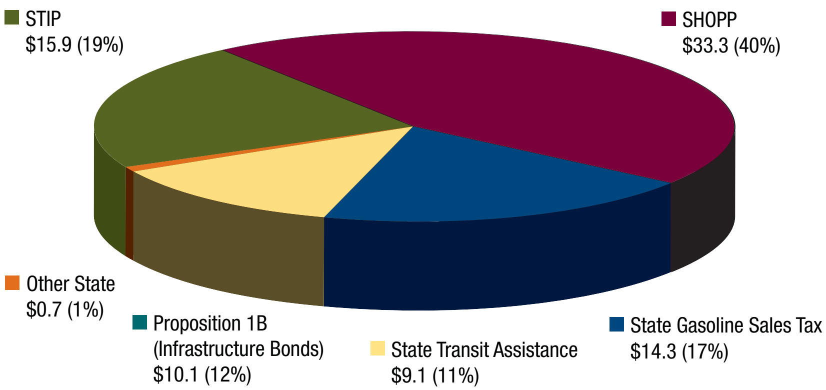
FIGURE 4.9 SCAG REGIONAL REVENUES BY COUNTY (IN NOMINAL DOLLARS) $411.4 BILLION TOTAL



Source: SCAG Revenue Model 2007

State sources generate a larger share of revenues than in the 2004 RTP, mostly due to the infrastructure bonds (Proposition 1B) and state gasoline sales tax protection (Proposition 1A). The infrastructure bonds and state gasoline sales taxes make up roughly 30 percent of the total $83.4 billion in forecasted state revenues (see Figure 4.10).

FIGURE 4.10 SCAG REGIONAL REVENUES, STATE SOURCES (IN NOMINAL DOLLARS) $83.4 BILLION TOTAL

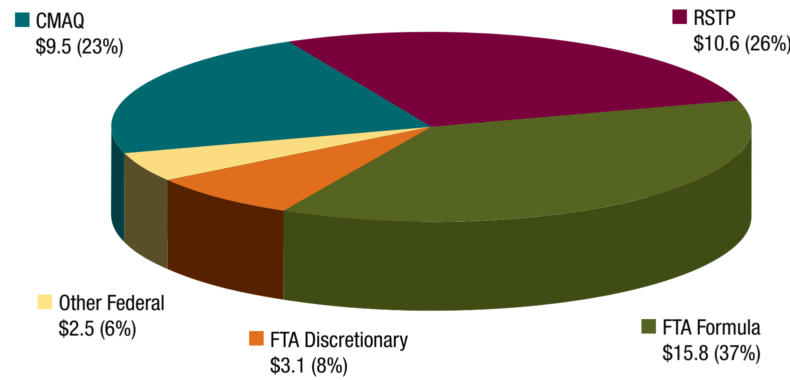


Source: SCAG Revenue Model 2007

Note: Numbers may not add due to rounding.

As shown in Figure 4.11, federal sources are anticipated to remain steady and represent a small portion of overall transportation funds ($41.6 billion). One of the largest declines in federal funding will be due to the region achieving attainment for a number of pollutants by 2020. This will result in less CMAQ funding.

FIGURE 4.11 SCAG REGIONAL REVENUES, FEDERAL SOURCES (IN NOMINAL DOLLARS) $41.6 BILLION TOTAL



Note: Numbers may not add due to rounding.

Reasonably Available Revenues

There are several new funding sources that will increase the revenues available for the 2008 RTP. The region also expects to leverage innovative financing strategies.

Table 4.2 presents twelve categories of funding sources and financing techniques that were evaluated for the RTP. They were selected as a result of their use in other areas of the state, the burgeoning potential, historical precedence and likelihood of implementation within the time frame of the 2008 RTP. These funding sources are reasonably available and are included in the financially constrained plan. For each funding source, SCAG has examined the policy and legal context of implementation and has prepared an estimate of the revenue potential.

TABLE 4.2 NEW REVENUE SOURCES AND INNOVATIVE FINANCING STRATEGIES (IN NOMINAL DOLLARS, BILLIONS)

Revenue Source	Description	Amount	Actions to Ensure Availability	Responsible Party
Value Capture Strategies	Various techniques assumed: formation of special districts, including Benefit Assessment Districts, Mello-Roos Community Facility Districts, as well as tax increment financing and joint development to provide gap financing for specific transit investments (Gold Line extension, Purple Line extension, and the HSRT system). SCAG also assumes one-time proceeds from the sale of Caltrans-owned property within the SR-710 tunnel vicinity.	$3.7	Pursue necessary approvals for special districts by 2012 (Benefit Assessment Districts require majority approval by property owners; Mello-Roos tax requires two-thirds approval); work with private entities for joint development opportunities; also, work with Caltrans to utilize proceeds from real estate sales to partially fill funding gap for the SR-710 tunnel; pursue legislation to enable sales and to establish escrow account for the proceeds	MPO, transit operators, local jurisdictions, property owners along project corridors, developers, Caltrans
Local Option Sales Tax Extension	Half-cent sales tax measure extension for Imperial County—existing Measure D expires in 2010	$0.8	Local sales tax measure to be placed on ballot by 2010	Imperial County
Highway Tolls (includes toll revenue bond proceeds)	Toll revenues generated from the SR-710 tunnel, I-710 dedicated truck lanes, High Desert Corridor, and CETAP Corridor	$22.0	Region was granted authority under AB 1467 (2006) to impose tolls and work with private entities for the financing of goods movement related facilities including the I-710 dedicated truck lanes; additional state legislative approval needed for the SR-710 tunnel	MPO, local county transportation commissions (LACMTA, SANBAG, RCTC), State Legislature
State and Federal Gas Excise Tax Adjustment to Maintain Historical Purchasing Power	Estimate equivalent to additional ten cent per gallon gasoline tax imposed by the state and federal government starting in 2012—extrapolation of historical trend	$17.0	Congressional and state legislative approval	MPO, State Legislature, Congress
Container Fees (includes container fee bond proceeds)	Charge imposed on containerized cargo moving through the Ports of LA/LB (includes railroad user-fees for rail capacity improvement program); fees are directly linked to specific goods movement projects	$41.5	Negotiated by ports, shipping community, regional stakeholders or state legislative approval (upon passage of SB 974 or other legislative effort)	Ports, shippers, goods movement stakeholders (MPO, railroads, local county transportation commissions), State Legislature
Private Equity Participation	Public Private Partnership arrangement whereby a private entity designs, finances, builds, operates, and maintains a facility under a lease arrangement for a fixed period of time	$4.4	Region was granted authority under AB 1467 (2006) to work with private entities for the financing of freight-related projects; additional state legislative approval needed for the SR-710 tunnel	MPO, local county transportation commissions, private consortium, State Legislature

Revenue Source	Description	Amount	Actions to Ensure Availability	Responsible Party
Private Activity Bonds (PAB)	Interest savings from the issuance of tax-exempt private activity bonds	$0.4 (included in container fees)	Work with railroads and other regional stakeholders to receive federal PAB allocation	MPO, freight railroads, local county transportation commissions, US DOT
U.S. Environmental Protection Agency (EPA) funding for clean freight rail technology	EPA subsidies to help mitigate locomotive emissions per the 2007 State Implementation Plan (SIP)	$1.9	Work with railroads, AQMD, ARB and US EPA for federal clean technology funding allocation	MPO, freight railroads, AQMD, ARB, US EPA
Interest Earnings	Interest earnings from toll bond proceeds (High Desert Corridor, CETAP, SR-710 tunnel, and I-710 truck lanes)	$0.4	See Highway Tolls	See Highway Tolls
Riverside County Measure A (Bond Anticipation Notes)	Short-term debt to help fund the CETAP Corridor in anticipation of the sale of Measure A revenue bonds	$1.5	Issuance of debt subject to RCTC Board policy	RCTC
Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan	The TIFIA loan program provides credit assistance for transportation investments of national/regional significance; TIFIA loan assumed for the CETAP Corridor	$0.9	Work with US DOT and RCTC to evaluate applicability of the TIFIA loan program for the CETAP Corridor; further feasibility work necessary to assess traffic and revenue potential on CETAP Corridor	MPO, RCTC, US DOT TIFIA Office
HSRT Passenger System (Private Contribution & User Fee)	User fee-supported initiative for HSRT system. Assumes private-sector development: design, finance, build, operate and maintain. See HSRT Report for further details	$26.2	For the IOS: form JPA, finalize development of a comprehensive business plan; work with private entity to ensure commitment	MPO, private consortium, local/regional stakeholders

Summary of Revenue Sources and Expenditures

TABLE 4.3.1 CORE AND REASONABLY AVAILABLE REVENUE PROJECTIONS (IN NOMINAL DOLLARS, BILLIONS)

Revenue Source	Revenue Projection Assumptions	Revenue Estimate
LOCAL REVENUE SOURCES		
Local Option Sales Tax Measures	**Description:** Locally imposed ½ percent sales taxes in four counties (Imperial, Orange, Riverside, and San Bernardino). Permanent 1 percent (combination of two ½ cent sales taxes) in Los Angeles. **Assumptions:** Sales taxes grow consistent with county transportation commission forecasts and historical trends.	$145.6
Transportation Development Act (TDA) – Local Transportation Fund	**Description:** Local Transportation Funds (LTF) are derived from a ¼ cent sales tax on retail sales statewide. Funds are returned to the county of generation and used mostly for transit operations and transit capital expenses. **Assumptions:** Same sales tax growth rate as used for local option sales tax measures	$52.7
Gas Excise Tax Subventions (to Cities and Counties)	**Description:** Subventions to counties and local jurisdictions in region from the California state gas tax. Revenues for the forecast are proportionate to the percentage of streets and roads that are regionally significant. **Assumptions:** Fuel consumption does not grow except in Los Angeles and Orange counties where growth is less than historical trends and consistent with forecasts by local transportation commissions. Regionally significant streets and roads (37 to 50 percent of roads) are classified as either arterials or collectors.	$8.0
Transit Farebox Revenue	**Description:** Transit fares collected by transit operators in the SCAG region. **Assumptions:** Farebox revenues increase consistent with historic trends, planned system expansions, and operator forecasts.	$41.2
Highway Tolls (in core revenue forecast)	**Description:** Revenues generated from toll roads operated by the Transportation Corridor Agencies (TCA). **Assumptions:** Traffic does not grow (compared to historical growth of about 3.8 percent) in core revenue forecast scenario.	$3.0
Mitigation Fees	**Description:** Revenues generated from development impact fees. The revenue forecast includes fees from the Transportation Corridor Agency (TCA) development impact fee program; the Riverside County's Transportation Uniform Mitigation Fee (TUMF) for both the Coachella Valley and Western Riverside County; and the San Bernardino County's Development Impact Fee (DIF) program. **Assumptions:** The financial forecast is consistent with revenue forecasts from Riverside County Transportation Commission (RCTC), and San Bernardino Associated Governments (SANBAG).	$15.9
Local Agency Funds	**Description:** Includes committed local revenue sources, such as transit advertising and auxiliary revenues, lease revenues, and interest and investment earnings from reserve funds. **Assumptions:** Revenues are based on financial data from transit operators and local county transportation commissions.	$20.0
LOCAL SUBTOTAL		**$286.5**

Note: Numbers may not add due to rounding

TABLE 4.3.2 CORE AND REASONABLY AVAILABLE REVENUE PROJECTIONS (IN NOMINAL DOLLARS, BILLIONS)

Revenue Source	Revenue Projection Assumptions	Revenue Estimate
STATE REVENUE SOURCES		
State Transportation Improvement Program (STIP)	**Description:** The STIP is a five-year capital improvement program that provides funding from the State Highway Account (SHA) for projects that increase the capacity of the transportation system. The SHA is funded through a combination of state gas excise tax, the Federal Highway Trust Fund, and truck weight fees. The STIP may include projects on state highways, local roads, intercity rail, or public transit systems. The Regional Transportation Planning Agencies (RTPAs) propose 75 percent of STIP funding for regional transportation projects in Regional Transportation Improvement Programs (RTIPs). Caltrans proposes 25 percent of STIP funding for interregional transportation projects in the Interregional Transportation Improvement Program (ITIP). **Assumptions:** Funds are based upon the 2006 STIP program of projects. Long-term forecasts assume no growth in fuel consumption..	$15.9
State Highway Operation and Protection Plan (SHOPP)	**Description:** Funds state highway maintenance and operations projects. **Assumptions:** Short-term revenues are based on overlapping 2004, 2006 and 2008 SHOPP programs. Long-term forecasts are consistent with STIP forecasts and assume no growth in the fuel consumption.	$33.3
State Gasoline Sales Tax	**Description:** The state gasoline sales tax funds discretionary projects through the former Traffic Congestion Relief Program (TCRP). Proposition 42, recently restored by Proposition 1A, transfers future revenues to the Transportation Investment Fund, which distributes revenues to the STIP, local streets and roads, and transit. **Assumptions:** The financial forecast assumes that each county receives its fair share of state gasoline sales tax based upon county population. Future revenues are not expected to grow, with the exception of Orange County, which is expected to grow by a modest one percent.	$14.3
State Transit Assistance Fund (STA)	**Description:** STA is funded with 50 percent of State Public Transit Account (PTA) revenues, which come from diesel sales tax and "spillover" in the gasoline sales tax. Funding is distributed 50 percent by population share and 50 percent by revenue share of the transit operators. **Assumptions:** The forecast is based on current funding levels reported by the State Controller., except in Los Angeles and Orange counties, where growth is less than historical trends and consistent with forecasts by local transportation commissions.	$9.1
Highway Safety, Traffic, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B)	**Description:** Proposition 1B authorizes $19.9 billion to be spent statewide over the next several years on existing and new statewide transportation-related infrastructure programs and projects. Several programs are included under Proposition 1B. The California Transportation Commission has not yet established priorities and funding formulas for all categories. **Assumptions:** The forecast assumes that the SCAG region receives its fair share of funding under the categories with established funding formulas. Other categories are assumed to be allocated according to population.	$10.1
Other State Sources	**Description:** Other state sources include Service Authority for Freeways and Expressways (SAFE), Freeway Service Patrol, Air Quality Vehicle Registration Fee (AB 2766), Environmental Enhancement and Mitigation, and other miscellaneous state grants. The Clean Air and Transportation Improvement Act added Proposition 116 to use state general obligation bonds to finance rail infrastructure. **Assumptions:** The RTP uses forecasts provided by LACMTA for Los Angeles County for consistency with the LACMTA long-range transportation plan. These revenues are not estimated for other counties.	$0.7
STATE SUBTOTAL (State STIP funds include FHWA IM and NHS funding categories)		**$83.4**

TABLE 4.3.3 CORE AND REASONABLY AVAILABLE REVENUE PROJECTIONS (IN NOMINAL DOLLARS, BILLIONS)

Revenue Source	Revenue Projection Assumptions	Revenue Estimate
FEDERAL REVENUE SOURCES		
FHWA Non-Discretionary Congestion Mitigation and Air Quality (CMAQ) Program	**Description:** Program to reduce traffic congestion and improve air quality in non-attainment areas. **Assumptions:** Short-term revenues are based upon the Caltrans apportionment estimates. Long-term revenues assume that the Federal Highway Trust Fund stays solvent, but revenues do not grow. CMAQ funding is assumed to be halved starting in 2020 due to improved air quality.	$9.5
FHWA Non-Discretionary Regional Surface Transportation Program (RSTP)	**Description:** Projects eligible for RSTP funds include rehabilitation and new construction on any highways included in the National Highway System (NHS) and Interstate Highways (including bridges). Also, transit capital projects, as well as intracity and intercity bus terminals and facilities, are eligible. **Assumptions:** Short-term revenues are based upon the Caltrans apportionment estimates. Long-term revenues assume that the Federal Highway Trust Fund stays solvent, but revenues do not grow.	$10.6
FTA Formula Programs 5307 Urbanized Area Formula (Capital), 5310 Elderly and Persons with Disabilities Formula, 5311 Non-Urbanized Area Formula, 5309 Fixed Guideway Program	**Description:** This includes a number of FTA programs that are distributed by formula. 5307 is distributed annually to state urbanized areas with a formula based on population, population density and transit revenue miles of service. Program funds capital projects (and operations expenses in areas under 200,000 in population), preventative maintenance and planning activities. 5310 funds are allocated by formula to states for capital costs of providing services to the elderly and disabled. The 5311 program provides capital and operating expenses for rural and small urban public transportation systems. Section 5309 Fixed Guideway (FG) funds are also distributed to regions on an urbanized area formula. **Assumptions:** Formula funds are assumed to increase in proportion with the Federal Highway Trust Fund. As with the FHWA sources, the Trust Fund is expected to stay solvent, but not grow. For Los Angeles and Orange Counties, the local transportation commissions have estimated formula allocations based on future increases in service and past allocations that yield results consistent with a no-growth assumption.	$15.8
FTA Non-Formula Program 5309 New and Small Starts, 5309 Bus & Bus-Related Grants	**Description:** Capital projects include preliminary engineering, acquisition of real property, final design and construction, initial acquisition of rolling stock for new fixed guideway systems or extensions, including bus rapid transit, light rail, heavy rail, and commuter rail systems. Capital investment grants of less than $75 million are considered "small starts." "Small starts" will have a separate funding category beginning in FY07. Program funds bus acquisition and other rolling stock, ancillary equipment and the construction of bus facilities. Also includes bus rehabilitation and leasing, park-and-ride facilities, parking lots associated with transit facilities and bus passenger shelters. **Assumptions:** Operators are assumed to receive FTA discretionary funds in rough proportion to what they have received historically. The Federal Highway Trust Fund is expected to stay solvent, but not grow. For Los Angeles and Orange counties, the local transportation commissions have estimated discretionary allocations based on future increases in service and past allocations. Los Angeles expects discretionary allocations to remain constant in nominal terms, while Orange County expects discretionary allocations to grow slower than inflation.	$3.1
Other Federal Funds	**Description:** Includes other federal programs, such as Regional Transportation Enhancements, Highway Bridge Replacement and Rehabilitation, Homeland Security Grants, Bus Preferential Signal Systems, Highway Earmarks, Hazard Elimination Safety, and Railroad/Highway Grade Crossing Protection (Section 130). **Assumptions:** LACMTA provided forecasted revenues for these programs, which have been adopted in the RTP for Los Angeles County. For other counties, Highway Bridge Program revenues are estimated in the short term using program allocations provided by the California Department of Transportation through FY2010. Longer-term estimates are based upon the no-growth assumption used for other federal funding sources.	$2.5
FEDERAL SUBTOTAL		**$41.6**

Note: Numbers may not add due to rounding

TABLE 4.3.4 CORE AND REASONABLY AVAILABLE REVENUE PROJECTIONS (IN NOMINAL DOLLARS, BILLIONS)

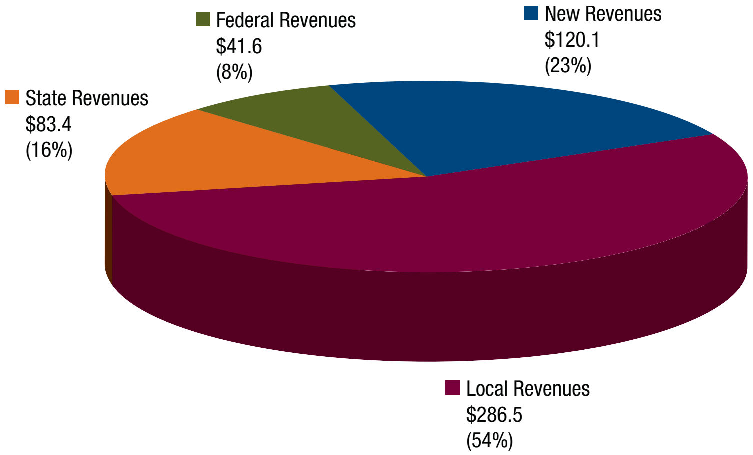
Revenue Source	Revenue Projection Assumptions	Revenue Estimate
INNOVATIVE FINANCING & NEW REVENUE SOURCES		
Value Capture Strategies	**Description:** This strategy refers to capturing the incremental value generated by transportation investments through formation of special districts, joint development, and tax increment financing. Also includes sale of Caltrans-owned property. **Assumptions:** SCAG assumes the formation of special districts, including Benefit Assessment Districts, Mello-Roos Community Facilities Districts, as well as use of tax increment financing and joint development to provide gap financing for specific transit investments: Gold Line extension, Purple Line extension, and passenger HSRT system. SCAG also assumes one-time proceeds from the sale of Caltrans-owned property within the SR-710 tunnel vicinity.	$3.7
Local Option Sales Tax Extension	**Description:** Locally imposed ½ percent sales tax measure extension for Imperial County—existing Measure D expires in 2010. **Assumptions:** Sales tax grows consistent with historical trends in county retail sales.	$0.8
Highway Tolls	**Description:** Toll revenues generated from SR-710 tunnel. Also, tolls assumed for the I-710 dedicated truck lanes, High Desert Corridor, and CETAP Corridor as well as SR-91. **Assumptions:** Toll revenues based on recent feasibility studies for applicable corridors. Also includes toll revenue bond proceeds.	$22.0
State and Federal Gas Excise Tax Adjustment to Maintain Historical Purchasing Power	**Description:** Equivalent to additional ten cent per gallon gasoline tax imposed by the state and federal government starting in 2012 - based on historical extrapolation. **Assumptions:** Forecast consistent with historical adjustments for both state and federal gas taxes.	$17.0
Container Fees	**Description:** Charge imposed on containerized cargo moving through the Ports of LA/LB and region (includes railroad user fees for rail capacity improvement program) and directly linked to specific goods movement projects. **Assumptions:** Container fees at $30 per Twenty-foot Equivalent Unit (TEU). Revenue total also includes railroad user fees assessed on a TEU basis for the rail capacity improvement program; revenue total includes bond proceeds.	$41.5
Private Equity Participation	**Description:** Public Private Partnership arrangement whereby a private entity designs, finances, builds, operates, and maintains a facility under a lease arrangement for a fixed period of time. **Assumptions:** Private capital is assumed for the financing of a number of projects including the SR-710 tunnel, CETAP Corridor and the HSRT system (freight only component assumed in this total). See separate line-item for passenger HSRT.	$4.4
Private Activity Bonds	**Description:** Title XI Section 11142 of SAFETEA-LU amends Section 142(a) of the IRS Code to allow the issuance of tax exempt private activity bonds for highway and freight transfer facilities. States and local governments are allowed to issue tax-exempt bonds to finance highway and freight transfer facility projects sponsored by the private sector. **Assumptions:** Partial interest savings from the issuance of tax-exempt private activity bonds for freight rail investment package are assumed to offset some of the grade separation costs.	$0.4 (included in container fees)
Federal (EPA) funding for clean freight rail technology	**Description:** Federal funding to mitigate locomotive emissions. **Assumptions:** In accordance with the proposed 2007 State Implementation Plan (SIP), it is assumed that the federal government (US EPA) will provide subsidies to mitigate locomotive emissions; the severity of the region's PM2.5 problem and the attainment deadline make it necessary to mitigate locomotive emissions	$1.9
Interest Earnings	**Description:** Interest earnings from toll bond proceeds. **Assumptions:** Interest earnings are assumed from toll bond proceeds (High Desert Corridor, CETAP, SR-710 tunnel, and I-710 truck lanes.	$0.4

Revenue Source	Revenue Projection Assumptions	Revenue Estimate
Riverside County Measure A (Bond Anticipation Notes)	**Description:** BANs are short-term debt financing strategies often used by local governments. The proceeds of a future issue are expected to cover anticipation notes. **Assumptions:** Short-term debt is assumed in the latter years of the RTP to help fund the CETAP Corridor in anticipation of the sale of Measure A revenue bonds.	$1.5
TIFIA Loan	**Description:** TIFIA loan program provides credit assistance under flexible terms for transportation investments of national or regional significance. **Assumptions:** A TIFIA loan is assumed to facilitate financing of the CETAP Corridor; a direct loan is assumed to be repaid by project generated toll revenue.	$0.9
HSRT Passenger System (Private Contribution & User Fee	**Description:** User-fee supported initiative for HSRT system. **Assumptions:** Assumes private sector development including design, finance, build, operate, and maintain. See HSRT report for further details.	$26.2
NEW REVENUE SOURCE SUBTOTAL		**$120.1**
GRAND TOTAL		**$531.5**

Note: Numbers may not add due to rounding

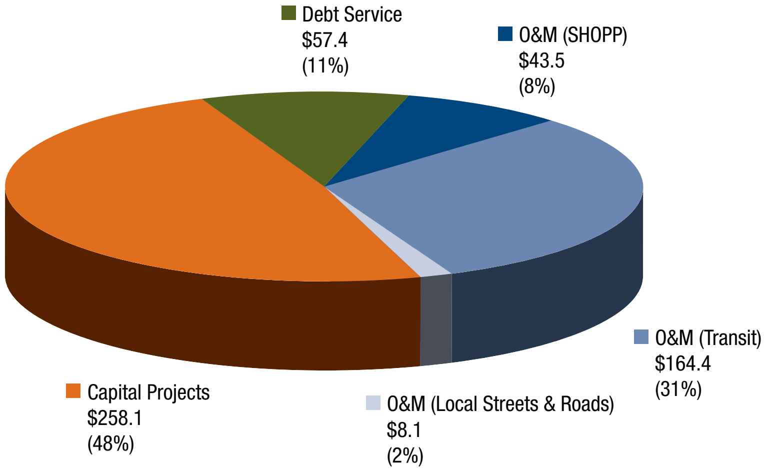
The SCAG region's financially constrained RTP includes revenues from both the core and reasonably available revenue sources. A summary of these forecasted revenues and expenditures is presented in Figures 4.12 and 4.13. As shown in these figures, the SCAG region's budget over the next 30 years totals an estimated $531.5 billion.

FIGURE 4.12 2008 RTP REVENUE SUMMARY
$531.5 BILLION (IN NOMINAL DOLLARS) FY2007-FY2036



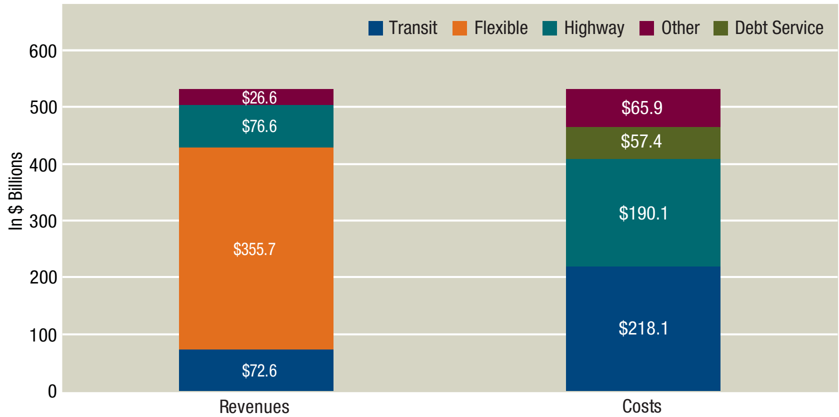
Note: Numbers may not add due to rounding.

FIGURE 4.13 2008 RTP EXPENDITURE SUMMARY
$531.5 BILLION (IN NOMINAL DOLLARS) FY2007-2036



As shown in Figure 4.14, transit and highway expenditures are roughly comparable at 41 and 36 percent, respectively, of the RTP costs for each category. About 12 percent of costs are attributable to an "other" category, reflecting proposed investments in HSRT systems as well as freight rail capacity and grade separation improvements. Consistent with historical practice, agencies in the region are expected to bond against future revenues to provide additional funding in the early years of the plan. As a result, debt service equal to historical payments and future bonding needs has been included as part of the RTP. Anticipated debt service payments make up 11 percent of total costs.

FIGURE 4.14 REVENUES COMPARED TO COSTS BY MODE



Note: Numbers may not add due to rounding

The following Table 4.4 provides details of the SCAG region's 2008 revenue forecast by source in five-year increments. This is followed by Table 4.5, which provides details of the region's expenditures by category in five-year increments.

TABLE 4.4 2008 REGIONAL TRANSPORTATION PLAN REVENUES (IN NOMINAL DOLLARS, BILLIONS)

	REVENUE SOURCES	FY2007-11	FY2012-16	FY2017-21	FY2022-26	FY2027-31	FY2032-36	TOTAL
LOCAL	Sales Tax	$14.3	$19.4	$26.0	$34.1	$44.8	$59.7	$198.3
	– County	10.7	14.4	19.3	25.1	32.8	43.3	145.6
	– Transportation Development Act	3.6	5.0	6.7	9.0	12.0	16.4	52.7
	Gas Tax (Subvention to Cities & Counties)	1.1	1.2	1.3	1.4	1.5	1.6	8.0
	Other Local Funds	2.5	4.5	3.2	4.6	3.5	1.6	20.0
	Transit Fares	3.1	4.5	5.7	7.3	9.3	11.3	41.2
	Tolls	0.3	0.4	0.4	0.5	0.6	0.8	3.0
	Mitigation Fees	1.3	1.7	2.3	2.3	3.4	5.0	15.9
	LOCAL TOTAL	$22.6	$31.7	$39.0	$50.3	$63.0	$79.8	$286.5
STATE	State Highway Operations and Protection Program (SHOPP)	5.3	5.3	5.7	5.7	5.7	5.7	33.3
	State Transportation Improvement Program (STIP)	2.9	2.2	2.4	2.5	2.7	3.1	15.9
	– Regional - RTIP	2.2	1.7	1.8	1.9	2.1	2.3	11.9
	– Interregional - ITIP	0.7	0.6	0.6	0.6	0.7	0.8	4.0
	Traffic Congestion Relief Program, Propositions 42 and 1A	2.0	1.8	2.0	2.3	2.8	3.4	14.3
	State Transit Assistance (STA)	0.8	1.0	1.3	1.6	2.0	2.4	9.1
	Proposition 1B	7.2	2.9	0.0	0.0	0.0	0.0	10.1
	Other (1)	0.1	0.1	0.1	0.1	0.1	0.2	0.7
	STATE TOTAL	$18.3	$13.3	$11.4	$12.2	$13.3	$14.7	$83.4
FEDERAL	Federal Transit	$2.9	$2.5	$2.9	$3.2	$3.3	$4.2	$19.0
	– Federal Transit Formula	1.9	2.0	2.3	2.7	3.1	3.8	15.8
	– Federal Transit Non-Formula	1.0	0.4	0.6	0.5	0.2	0.5	3.1
	Federal Highway & Other	$3.0	$3.1	$3.6	$3.5	$4.2	$5.1	$22.6
	– Congestion Mitigation and Air Quality	1.3	1.6	1.8	1.3	1.6	1.9	9.5
	– Surface Transportation Program (Regional)	1.1	1.3	1.5	1.9	2.2	2.7	10.6
	– Other (2)	0.7	0.2	0.3	0.3	0.4	0.6	2.5
	FEDERAL TOTAL	$5.9	$5.6	$6.5	$6.7	$7.5	$9.3	$41.6
INNOVATIVE FINANCING & NEW REVENUE SOURCES	Private Equity Participation	1.1	1.5	1.8	0.0	0.0	0.0	4.4
	TIFIA Loans	0.0	0.0	0.0	0.0	0.0	0.9	0.9
	Value Capture Strategies	1.0	1.4	1.4	0.0	0.0	0.0	3.7
	Highway Tolls (including bond proceeds)	0.1	2.3	4.8	3.1	3.8	7.8	22.0
	Port Container Fee (including railroad fee and bond proceeds)	4.0	9.4	7.8	6.3	6.3	7.7	41.5
	Riverside Co. Measure A - BANs	0.0	0.0	0.0	0.0	0.0	1.5	1.5
	Federal EPA Funding for clean freight rail technology	0.0	0.8	1.1	0.0	0.0	0.0	1.9
	Interest Earnings	0.0	0.3	0.1	0.0	0.0	0.0	0.4
	HSRT passenger user fee & private contribution	8.7	8.7	8.7	0.0	0.0	0.0	26.2
	Private Activity Bonds (included in container fee estimate)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	State and Federal Gas Excise Tax Adjustment	0.0	3.4	3.4	3.4	3.4	3.4	17.0
	Local Option Sales Tax Extension (Imperial County)	0.0	0.1	0.1	0.1	0.2	0.3	0.8
	Innovative Financing Total	$14.9	$27.9	$29.2	$13.0	$13.7	$21.5	$120.1
	REVENUE TOTAL	$61.7	$78.6	$86.1	$82.2	$97.5	$125.4	$531.5

Notes:
(1) Service Authority for Freeways and Expressways (SAFE), Freeway Service Patrol, Air Quality Vehicle Registration Fee (AB 2766), Environmental Enhancement and Mitigation.
(2) Includes other federal programs, such as Regional Transportation Enhancements, Highway Bridge Replacement and Rehabilitation, Homeland Security Grants, Bus Preferential Signal Systems, Highway Earmarks, local assistance, Hazard Elimination Safety, and Railroad/Highway Grade Crossing Protection (Section 130).
Numbers may not add due to rounding.

TABLE 4.5 2008 REGIONAL TRANSPORTATION PLAN EXPENDITURES (IN NOMINAL DOLLARS, BILLIONS)

RTP COSTS	FY2007-11	FY2012-16	FY2017-21	FY2022-26	FY2027-31	FY2032-36	TOTAL
Capital Projects:	**$42.5**	**$51.6**	**$52.5**	**$32.2**	**$38.4**	**$41.0**	**$258.1**
Arterials	3.9	3.8	3.3	3.6	3.7	6.5	24.8
Grade Separation	2.6	4.5	0.2	0.1	0.7	2.1	10.2
HOV	2.3	2.2	3.3	1.3	1.5	0.9	11.5
Mixed Flow	6.7	8.0	8.0	7.8	11.1	2.7	44.3
Toll Facilities	1.5	7.5	13.7	4.8	2.8	8.5	38.7
ITS	0.4	0.3	0.4	0.6	1.2	0.1	3.0
Transit	9.6	8.8	8.1	8.6	11.1	8.2	54.5
High Speed Regional Transport - Passenger	9.7	9.7	9.7	0.0	0.0	0.0	29.1
High Speed Regional Transport - Freight	2.0	2.3	2.4	3.2	3.6	4.4	17.9
Other (1)	4.0	4.4	3.4	2.1	2.7	7.5	24.1
Operations and Maintenance:	**$19.7**	**$24.8**	**$30.7**	**$37.5**	**$46.0**	**$57.2**	**$216.0**
Highway	5.5	6.4	7.3	7.6	8.1	8.5	43.5
Transit	13.1	17.2	22.1	28.5	36.5	47.1	164.4
Local Streets and Roads	1.2	1.2	1.3	1.4	1.5	1.6	8.1
Debt Service	**$2.7**	**$5.3**	**$8.4**	**$10.8**	**$12.6**	**$17.6**	**$57.4**
COST TOTAL	**$65.0**	**$81.7**	**$91.5**	**$80.5**	**$97.1**	**$115.7**	**$531.5**

Note:: (1) Includes: Rail Capacity Expansion, Truck Climbing, Non-Motorized, TDM and contingencies.
Numbers may not add due to rounding.