CHAPTER 4
FINANCIAL STRATEGIES: PAYING OUR WAY

The financial analysis of the recommended transportation improvements in the 2030 San Diego Regional Transportation Plan: Pathways for the Future (RTP or the "Plan") focuses on four components: Systems Development (transit, highway, local streets and roads, and goods movement projects), Land Use, Systems Management, and Demand Management. The capital, operating, maintenance, and rehabilitation costs of the region's transportation systems during the next 25 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 two alternative revenue scenarios is included as part of the financial analysis.

CHAPTER CONTENTS

Unconstrained Needs

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 assumed revenues. While no specific discussion is included regarding revenues to meet the Unconstrained Needs, this document does include the level of investment needed to fully fund the desired list of projects beyond 2030. This scenario briefly discusses a set of potential revenue sources to provide the funding level needed to address the Unconstrained Needs.

Two basic revenue forecast scenarios have been developed for the 2030 RTP. A general description of each of the 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.

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

REVENUE SCENARIOS

Revenue Constrained Scenario

State and federal planning regulations require the development of a Revenue Constrained plan. Such a plan is based 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 or the establishment of other new revenue sources are not included in the Revenue Constrained scenario.

Reasonably Expected Revenue Scenario

A higher level of investment than the Revenue Constrained Scenario was directed by the SANDAG Board, given that traditional revenue sources in the Revenue Constrained Scenario would fall short of the funds necessary to complete the investments in our priority corridors. 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 may be reasonably expected to become available through 2030. The additional sources include higher levels of state and federal discretionary funds, increases in state and federal gas taxes based on historical trends, and other potential federal, state, and local sources. This more optimistic scenario is the basis for the 2030 RTP.

REVENUE ASSUMPTIONS

The basic assumptions made for each major revenue source included in the financial analysis for the 2030 RTP are provided below. Any differences are described between the assumptions made for the more optimistic Reasonably Expected Revenue Scenario and the Revenue Constrained Scenario. All revenues have been de-escalated to 2006 dollars based on the 3-percent-per-year cost escalation factor adopted by the California Transportation Commission (CTC) for the 2006 State Transportation Improvement Program (STIP) Fund Estimate. In order to reflect the near-term continued rise in cost of construction, a de-escalation factor of 7.25 percent was assumed for FY 2007 and 5 percent for FY 2008. This higher de-escalation rate in the early years results in a lower value of revenues and has the equivalent effect on purchasing power from the anticipated continued rise, albeit at a decreasing rate of increase, of costs of materials and labor that have afflicted the transportation industry in the past three to four years. The long-term, de-escalation rate of 3.6 percent reflects the anticipated stabilization in the rise of the cost of materials, although this rise is expected to be higher than the historical 2.6 percent observed in the 1980s and 1990s. 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* One-Half Percent Local Sales Tax Revenues** – were assumed to increase each year over the $243 million received in FY 2006 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 2030. In November 2004 San Diego County voters approved the extension of the same sales tax for transportation through the year 2048. It is anticipated that an additional $14 billion in revenues would be generated for regional transportation improvements. One of the more innovative components of the sales tax extension ordinance is the initiative for early environmental mitigation to reduce future cost of major transportation projects. Although the *TransNet* Extension is not effective until April 2008, the SANDAG Board of Directors approved accelerating several key regional transportation projects. The Early Action Program (EAP) consists of several major projects that are expected to significantly relieve traffic congestion. The EAP strategy is to leverage as much federal and state funds as are available, then borrow against future *TransNet* revenues to complete these projects early in order to relieve congestion and complete projects ahead of their initial schedules. The net revenues shown reflect the estimated sales tax receipts, plus estimated interest earnings, additional bond proceeds, less anticipated debt service. Revenues were assumed to be allocated based on the voter-approved *TransNet* Ordinance and Expenditure Plans.

As part of the *TransNet* Ordinance, local governments will begin collecting exactions on new development for the Regional Transportation Congestion Improvement Program (RTCIP) also in 2008. These revenues will be collected for each newly built residential housing unit in that jurisdiction to the RTCIP. The amount collected is currently estimated to be $2,071 per unit in 2008, and this amount will be increased annually in an amount not to exceed the percentage increase in the Construction Cost Index published by the Engineering News Record or other equivalent index. The total amount collected is calculated based on the number of new housing units forecast to be developed and an assumption of 3.6 percent construction cost index escalation rate, consistent with the *TransNet* Plan of Finance. The total revenues were de-escalated to 2006 dollars.

- **Transportation Development Act (TDA) One-Quarter Percent Sales Tax Funds** – were assumed to grow from the $116 million received in FY 2006 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 3.3 percent to account for administrative and planning 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** – were assumed to be available at the current level of gas tax subventions to the Cities and the County of San Diego for local street and road purposes. (Actual receipts totaled $90.9 million in FY 2004.) 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 revenues were de-escalated to 2006 dollars.

- **Local Street and Road General Fund and Other Revenues** – were 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 ten-year average for local general fund contributions to local street improvements regionwide is $47.2 million per year, while other revenues have averaged $191.1 million per year. These revenues were increased by 3 percent each year and de-escalated to 2006 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 Interstates 5 and 15 and State Routes 11, 125, and 241 toll road projects.

State Revenues

- **State Transportation Improvement Program (STIP) Funds** – were based on the amounts available for new programming through FY 2011 as included in the 2006 STIP Fund Estimate, including the funds anticipated from the infrastructure bond program, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Beyond 2011, STIP funds were assumed to increase at 5 percent per year based on growth rates in gas tax receipts and truck weight fees. 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. Further, the STIP funds were increased consistent with the regional share of STIP funds originating from the Proposition 1B infrastructure bonds approved by the voters in 2006.

  The San Diego region anticipates receipt of 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. In accordance with the SANDAG Board of Directors policy, beginning with the 2006 STIP cycle (FY 2007 to FY 2011), 85 percent of all new STIP revenues are assumed to be set aside for EAP projects, which include both highway, transit, and mixed-mode projects and the remaining 15 percent for other regionally significant projects, including planning and program monitoring, 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 2006 STIP Fund Estimate through FY 2011 and at 5 percent per year after 2011. In addition, future STA funds were increased to reflect the impact of the passage of Proposition 42, Further, STA funds were augmented by the anticipated formula share of Proposition 1B infrastructure bonds dedicated to this program, estimated to be $218 million. These funds are available for transit operating and capital purposes only.

- **Proposition 1B Infrastructure Bonds** – were assumed to be available for specific projects as provided in state law beginning in FY 2008. Some of the bond proceeds were incorporated into their respective existing program, such as the STIP or STA. Funding for new programs is also included under its own separate heading. Some of the elements of the bonds still require additional legislation that will guide the project selection process and, in turn, drive the amount each region receives. Unless otherwise already indicated by the state (such as the STIP or the Corridor Mobility Improvement Account (CMIA)) or by existing formula (such as the local streets and roads component) or by historical trend (such as the State Highway Operations and Protection Program or (SHOPP)), funding assumed for the San Diego region is based on the regional STIP formula share, which is 7.32 percent of the statewide total. The total funding assumed for the San Diego region from the infrastructure bonds is approximately $1.42 billion, or about 7.1 percent of the statewide total. For the Reasonably Expected Scenario, a more optimistic assumption of 12 percent is used, but only for those programs that are competitive in nature and are not formula-based. Historically, the San Diego region has been competitive in terms of innovative projects, as well as project delivery. The total amount assumed under the Reasonably Expected Revenue Scenario is $1.75 billion.

- **Traffic Congestion Relief Program (TCRP) Funds** – were assumed to be available for specific projects as provided in state law through FY 2008. All remaining unallocated TCRP funds are assumed to be available in the next five years. Approximately $128 million of the original approximately $483 million identified for San Diego County remained at the end of FY 2007.

- **State Highway Operations, and Preservation Program (SHOPP) and Maintenance and Operations Program Funds** – were assumed to 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 2006 base year estimates of $9 million per year for operations and administration costs and $60 million per year for maintenance costs were increased at a real growth of 2 percent per year to reflect a gradual increase in these costs above the rate of inflation as the size and the age of the system to be maintained increase over time. The revenues needed to meet the costs for these purposes as identified by Caltrans have been assumed to be available. The San Diego region is assuming $58 million in Proposition 1B funds programmed through the SHOPP.

For state highway rehabilitation needs, funds were assumed to be available consistent with the Financially Constrained ten-year SHOPP plan through FY 2018. The approximate annual level of funding through the SHOPP is assumed to be $122 million. A subsequent nominal growth rate of 3 percent is assumed beyond FY 2018. 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, they are identified as part of the overall Unconstrained Needs.

- **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 0.92 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 this average annual increase in the gas tax (or an equivalent revenue source) in the future for the Reasonably Expected Revenue Scenario. For the 25-year period covered by the Plan, this would constitute the equivalent of a 23-cent increase in the gas tax.

Federal Revenues

- **FTA Discretionary (Section 5309) Funds** – were assumed based on the amounts identified in the Federal Transit Administration (FTA) Full Funding Grant Agreement (FFGA) for the Mission Valley East and SPRINTER Light Rail Transit (LRT) projects and earmarks identified under Safe, Accountable, Flexible, Efficiency Transportation Equity Act: A Legacy For Users (SAFETEA-LU). It was assumed that the region would receive a population-based share of the national Section 5309 levels, increased at 5 percent per year. The San Diego region's population is about 1 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. For the Reasonably Expected Revenue Scenario, additional revenues associated with the more competitive New Starts and Small Starts process identified for San Diego are assumed, including approximately half of the capital costs for the Mid-Coast Trolley extension to the University Towne Centre (UTC) area. Periodic Small Starts revenues also are included, with approximately three Small Starts awards per decade 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 SAFETEA-LU and at 5 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 SAFETEA-LU.

- **Surface Transportation Program (STP) Funds** – the Regional STP fund estimates were based on actual annual apportionments and the estimates included in the 2006 STIP Fund Estimate through FY 2011 and 2 percent real growth 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 85 percent of these funds would be set aside for EAP projects and the remaining 15 percent for other regionally significant projects.

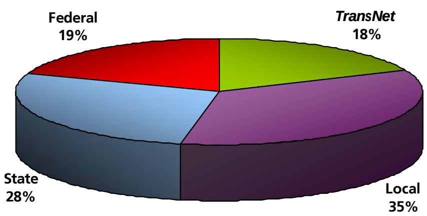
- **Congestion Mitigation and Air Quality (CMAQ) Funds** – the CMAQ fund estimates were based on actual annual apportionments, the 2006 STIP funds estimate through FY 2011, and a 2 percent real growth each year thereafter. These funds are flexible and may be used for a wide range of capital projects and TDM activities, with the exception of roadway improvements that provide increased capacity for single occupant vehicles.

  For purposes of the RTP, 85 percent of the CMAQ funds would be set aside for EAP projects and the remaining 15 percent for other regionally significant projects.

- **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 $455 million would be available during the RTP period, which includes projects earmarked under High Priority Demonstration Grants in SAFETEA-LU for the Revenue Constrained Scenario. Nearly $190 million in additional federal funds are assumed under the Reasonably Expected Revenue Scenario to account for periodic funding identified by Congress on projects of national significance, including transportation access to international goods movement facilities.

REASONABLY EXPECTED REVENUE SCENARIO ANALYSIS

Figure 4.1—Major Revenue Sources/ Reasonably Expected Revenue Scenario ($57 Billion)



The Reasonably Expected Revenue Scenario provides the financial budget for the 2030 RTP. A total of approximately $57 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 funding that will complement the revenues listed in the Revenue Constrained Scenario to reach the $57 billion Reasonably Expected target is assumed to originate from a variety of potential sources.

Critical to the implementation of the 2030 RTP is the assumption regarding the implementation of gradual increases in the state and federal gas taxes (or equivalent revenue sources) comparable to historical increases in these funds during the past 20 years. Additionally, assumptions regarding implementation of local, state, and federal initiatives for Goods Movement infrastructure and an expanded toll road legislative framework also are important. Of the total estimated revenues for the Reasonably Expected plan, 53 percent is assumed through local sources, 28 percent comes from state sources, and 19 percent from federal revenues.

In Table 4.1, other potential sources are assumed under federal, state, and local revenues. These amounts were assumed to be the same in all three categories. Under local revenues, "Other Potential Sources," was broken into two line items. The cost to develop additional toll roads, while considered an "Other Potential Source," was separated under its own line item. The amounts shown under the toll roads line item correspond to the cost to develop the facilities listed and are assumed to be a contribution under the local revenue sources only. All of the potential other sources are listed in Table 4.2.

As a separate component under the Reasonably Expected Revenue Scenario, it is assumed that local, state, or federal Goods Movement initiatives will cover the new Goods Movement projects included in the plan, given the continued rise in trade both domestic and from overseas. New federal freight infrastructure funding is an attractive funding mechanism because it addresses the cost of infrastructure needs resulting from the shift toward a global economy, and it would lessen the burden placed on local communities which have emerged as new gateways and trade corridors in the national supply chain. At the state level, the recently approved California Infrastructure Bond Measures provide a similar first-time funding opportunity for projects considered an important part of the state's goods movement infrastructure. Other potential sources for freight infrastructure include increasing the amount of current fees (e.g., commercial vehicle registration fee) and/or implementation of new user fees or tolls.

Table 4.1—Major Revenue Sources/Reasonably Expected Revenue Scenario

REVENUE SOURCES	ESTIMATED REVENUE ($ IN MILLIONS – 2006 DOLLARS)			
	FY 2006 - 2010	FY 2011 - 2020	FY 2021 - 2030	FY 2006 - 2030
Local				
TransNet Cash	$583	$1,674	$1,202	$3,459
T*ransNet* Bond Proceeds	$507	$3,616	$2,720	$6,843
Transportation Development Act (TDA)	$557	$1,263	$1,531	$3,351
City/County Local Gas Taxes	$414	$746	$657	$1,817
Developer Impact Fees (Residential)	$54	$277	$153	$484
General Fund/Miscellaneous Local Road Funds	$1,393	$2,742	$2,742	$6,877
Toll Road Funding (SR 125, SR 241, SR 11, I-5, and I-15)	$640	$2,752	$960	$4,352
Miscellaneous	$54	$138	$105	$297
Local Goods Movement Sources	$20	$250	$320	$590
Other Potential Local Sources	$0	$392	$1,045	$1,437
Carryover from prior years	$867	$0	$0	$867
Subtotal	$5,089	$13,850	$11,435	$30,374
State				
State Transportation Improvement Program (STIP)/Traffic Congestion Relief Program (TCRP)	$745	$702	$834	$2,281
Proposition 42	$180	$465	$563	$1,208
State Transit Assistance (STA) Program	$240	$234	$207	$681
State Highway Account for Operations/Maintenance	$666	$1,669	$1,710	$4,045
Miscellaneous	$620	$1,324	$543	$2,487
State Goods Movement Sources	$20	$249	$286	$555
Other Potential State Sources	$0	$2,452	$1,855	$4,307
Carryover from prior years	$299	$0	$0	$299
Subtotal	$2,770	$7,095	$5,998	$15,863
Federal				
Federal Transit Administration (FTA) Discretionary	$122	$634	$176	$932
Federal Transit Administration Formula Programs (5307/5309FG/5316/5317)	$322	$721	$874	$1,917
Congestion Mitigation and Air Quality (CMAQ)/ Regional Surface Transportation Program (RSTP)	$299	$678	$821	$1,798
Miscellaneous	$101	$245	$297	$643
Federal Goods Movement Sources	$20	$249	$321	$590
Other Potential Federal Sources	$0	$2,452	$1,855	$4,307
Carryover from prior years	$966	$0	$0	$966
Subtotal	$1,830	$4,979	$4,344	$11,153
Grand Total Revenue Sources	**$9,689**	**$25,924**	**$21,777**	**$57,390**

Table 4.2—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
- Approve additional state infrastructure bond initiatives
- 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

Figure 4.2—Major Project Expenditures/Reasonably Expected Revenue Scenario ($57 Billion)

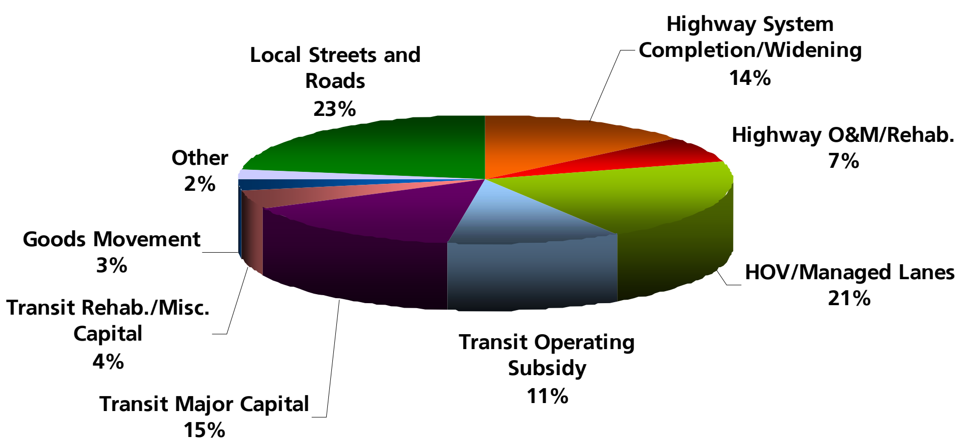


Table 4.3—Major Expenditures/Reasonably Expected Revenue Scenario

PROJECT CATEGORIES		ESTIMATED COST ($ IN MILLIONS – 2006 DOLLARS)			
		FY 2006 - 2010	FY 2011 - 2020	FY 2021 - 2030	FY 2006 - 2030
Systems Development & Operations					
Transit					
Major New Facilities		$1,311	$3,460	$4,097	$8,868
Miscellaneous Capital/Rehabilitation/Replacement		$390	$1,066	$1,057	$2,513
Operating Subsidies		$822	$2,571	$3,102	$6,495
	Subtotal	$2,523	$7,097	$8,256	$17,876
Highways					
Managed/High Occupancy Vehicle (HOV) Lane Facilities		$1,468	$6,909	$3,399	$11,776
System Completion/Widening Projects		$2,265	$3,793	$1,889	$7,947
Operations		$45	$100	$114	$259
Maintenance		$281	$622	$711	$1,614
Rehabilitation		$286	$765	$966	$2,017
	Subtotal	$4,345	$12,189	$7,079	$23,613
Local Streets and Roads					
New Facility Construction		$1,261	$2,308	$2,152	$5,721
Regionally Significant Arterials		$255	$640	$542	$1,437
Operations/Maintenance/Rehabilitation		$1,125	$2,303	$2,331	$5,759
	Subtotal	$2,641	$5,251	$5,025	$12,917
Goods Movement					
Air Cargo, Pipeline, and Maritime		$0	$315	$457	$772
Rail and Borders		$0	$643	$289	$932
	Subtotal	$0	$958	$746	$1,704
Land Use/Systems Management/Demand Management					
Smart Growth Incentive Program		$28	$79	$99	$206
Bicycle/Pedestrian Improvements		$26	$125	$226	$377
Transportation Systems Management		$96	$148	$262	$506
Transportation Demand Management		$29	$78	$84	$191
	Subtotal	$179	$430	$671	$1,280
Grand Total Cost		**$9,688**	**$25,925**	**$21,777**	**$57,390**

Figure 4.2 and Table 4.3 provide a summary of the $57 billion in expenditures for each of the major project categories proposed to be funded under this scenario. Of the total expenditures through 2030, 30 percent is for transit purposes, 21 percent for Managed/HOV lanes improvements, 21 percent for highway purposes, 23 percent for local streets and roads, 3 percent for new goods movement projects not already included in the Managed Lane/highway and rail projects and 2 percent for Other (Systems and Demand Management, Land Use, bicycle/pedestrian, and other related efforts. It should be noted that the Reasonably Expected Revenue Scenario includes an increase in funding of $36 million over the Revenue Constrained Scenario.

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. More than $19 billion, or 33 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 the 2030 RTP 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 ten-year estimate for maintenance, rehabilitation, operations, and new construction needs. These survey data, escalated to 2006 dollars, 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.

REVENUE CONSTRAINED SCENARIO ANALYSIS

The Revenue Constrained Scenario provides the most conservative budget for future transportation improvements. The 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 approximately $41 billion for the 2030 RTP.

A summary of the major funding sources is provided in Figure 4.3 and Table 4.4. With the passage of the *TransNet* Extension, local funds make up 61 percent of the total revenue, with state and federal funds providing 26 percent and 13 percent, respectively. It also should be pointed out that revenues are shown phased by decade, meaning the funding available between 2006-2010, 2011-2020, and 2021-2030. The corresponding expenditures also are shown by these same time periods and do not exceed the revenues available, thus demonstrating that the Revenue Constrained Scenario also is constrained by these analysis periods. Lastly, those projects that are listed in the initial years of the RTP are the same ones that are either already programmed in the five-year Regional Transportation Improvement Program (RTIP – currently the five-year period ends in FY 2010/11) or are anticipated to be included in future near-term updates of the RTIP.

Figure 4.3—Major Revenue Sources/ Revenue Constrained Scenario ($41 Billion)

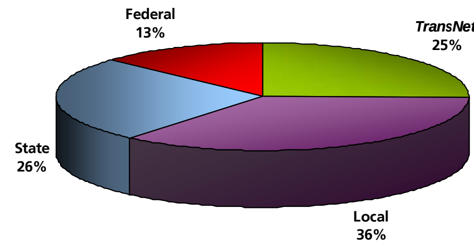


Figure 4.4 and Table 4.5 summarize the nearly $41 billion in expenditures under the Revenue Constrained Scenario. About 32 percent of the total expenditures are for transit purposes, 17 percent for Managed/HOV lanes improvements, 21 percent for highway purposes, 27 percent for local street and road improvements, and 3 percent for the Land Use, Systems, and Demand Management (including bicycle and pedestrian components) strategies. The specific projects and services included in the Revenue Constrained Scenario are described in Appendix A.

Figure 4.4—Major Expenditures/Revenue Constrained Scenario ($40.8 Billion)

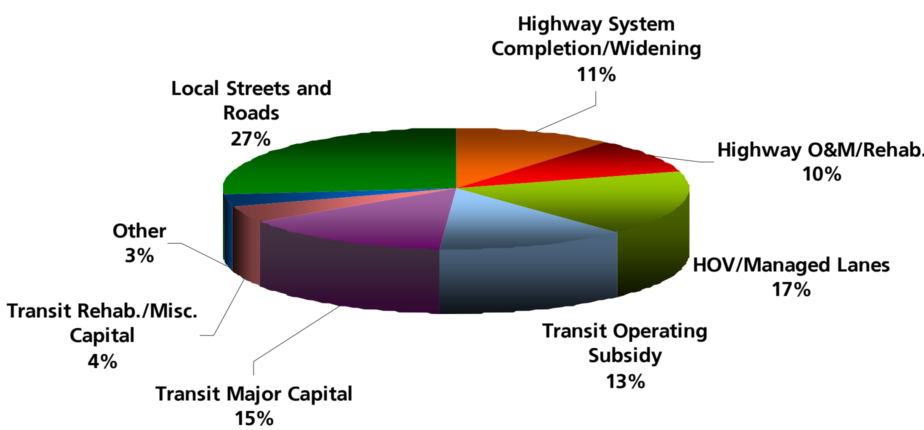


Table 4.4—Major Revenue Sources/Revenue Constrained Scenario

REVENUE SOURCES	ESTIMATED REVENUE ($ IN MILLIONS – 2006 DOLLARS)			
	FY 2006 - 2010	FY 2011 - 2020	FY 2021 - 2030	FY 2006 - 2030
Local				
TransNet Cash	$583	$1,674	$1,202	$3,459
TransNet Bond Proceeds	$551	$3,581	$2,526	$6,658
Transportation Development Act (TDA)	$557	$1,263	$1,531	$3,351
City/County Local Gas Taxes	$414	$746	$657	$1,817
Developer Impact Fees	$54	$277	$153	$484
General Fund/Miscellaneous Local Road Funds	$1,393	$2,742	$2,742	$6,877
Toll Road Funding (SR 125, SR 241, and SR 11)	$0	$692	$320	$1,012
Miscellaneous	$54	$138	$105	$297
Carryover from prior years	$867	$0	$0	$867
Subtotal	$4,473	$11,113	$9,236	$24,822
State				
State Transportation Improvement Program (STIP)/ Traffic Congestion Relief Program (TCRP)	$745	$702	$834	$2,281
Proposition 42	$180	$465	$563	$1,208
State Transit Assistance (STA) Program	$239	$234	$207	$680
State Highway Account Funds for Operations/Maintenance	$666	$1,668	$1,710	$4,044
Miscellaneous	$745	$864	$543	$2,152
Carryover from prior years	$299	$0	$0	$299
Subtotal	$2,874	$3,933	$3,857	$10,664
Federal				
Federal Transit Administration (FTA) Discretionary	$48	$46	$55	$149
Federal Transit Administration Formula Programs	$322	$721	$875	$1,918
Congestion Mitigation and Air Quality (CMAC)/ Regional Surface Transportation Program (STP)	$299	$678	$821	$1,798
Miscellaneous	$94	$163	$198	$455
Carryover from prior years	$966	$0	$0	$966
Subtotal	$1,729	$1,608	$1,949	$5,286
Total	**$9,076**	**$16,654**	**$15,042**	**$40,772**

Table 4.5—Major Expenditures/Revenue Constrained Scenario

PROJECT CATEGORIES	ESTIMATED COST ($ IN MILLIONS – 2006 DOLLARS)			
	FY 2006 - 2010	FY 2011 - 2020	FY 2021 - 2030	FY 2006 - 2030
Systems Development & Operations				
Transit				
Major New Facilities	$962	$3,109	$1,881	$5,952
Miscellaneous Capital/Rehabilitation/Replacement	$278	$738	$803	$1,819
Operating Subsidies	$886	$2,102	$2,415	$5,403
Subtotal	$2,126	$5,949	$5,099	$13,174
Highways				
Managed/High Occupancy Vehicle (HOV) Lane Facilities	$1,598	$3,324	$2,121	$7,043
System Completion/Widening Projects	$2,225	$1,534	$745	$4,504
Operations	$45	$100	$114	$259
Maintenance	$281	$622	$711	$1,614
Rehabilitation	$286	$765	$966	$2,017
Subtotal	$4,435	$6,345	$4,657	$15,437
Local Streets and Roads				
New Facility Construction	$1,072	$1,761	$2,040	$4,873
Regionally Significant Arterials	$214	$317	$383	$914
Operations/Maintenance/Rehabilitation	$1,050	$1,870	$2,210	$5,130
Subtotal	$2,336	$3,948	$4,633	$10,917
Land Use/Systems Management/Demand Management				
Smart Growth Incentive Program	$28	$79	$99	$206
Bicycle/Pedestrian Improvements	$26	$125	$226	$377
Transportation Systems Management	$96	$148	$262	$506
Transportation Demand Management	$29	$60	$66	$155
Subtotal	$179	$412	$653	$1,244
Total	**$9,076**	**$16,654**	**$15,042**	**$40,772**

UNCONSTRAINED NEEDS ANALYSIS

Although not developed to the same level of detail as the other two scenarios, an Unconstrained Needs Analysis was developed to provide an order of magnitude estimate for additional projects, programs, and services to meet projected travel demands through 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 the 2030 RTP.

Table 4.6 summarizes the major expenditures included in the Unconstrained Needs Analysis as compared to the Revenue Constrained and Reasonably Expected Revenue Scenarios. The Unconstrained Needs total $88 billion, as compared to $67 billion for the Unconstrained Needs in MOBILITY 2030. The difference lays primarily in the addition of another $8 billion in goods movement projects that weren't included in MOBILTY 2030, along with the well-known cost increases for construction and right-of-way. Increases in project scope were few and had little impact on the cost total.

The Unconstrained Needs exceed the $57 billion in the 2030 RTP by more than $30 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 lanes 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 $57 billion financial budget established for the 2030 RTP.

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.

As mentioned previously, a specific funding plan for the projects included in the Unconstrained Needs listing has not been prepared. There are a variety of funding mechanisms that could be investigated to help address the $30 billion funding shortfall expected under this scenario. The list of possible revenue options would be the same as those in Table 4.2. Some of these revenue sources may prove to be more feasible and politically acceptable than others over time.

Table 4.6—Unconstrained Needs – Major Expenditures and Revenues

PROJECT CATEGORIES	ESTIMATED COST ($ IN MILLIONS – 2006 DOLLARS)		
	Revenue Constrained	Reasonably Expected Revenue	Unconstrained Needs
Systems Development & Operations			
Transit			
Major New Facilities	$5,952	$8,868	$9,795
Miscellaneous Capital/Rehabilitation/Replacement	$1,819	$2,513	$3,016
Operating Subsidies	$5,403	$6,495	$7,047
Subtotal	$13,174	$17,876	$19,858
Highways			
Managed/High Occupancy Vehicle (HOV) Lane Facilities	$7,043	$11,776	$23,453
System Completion/Widening Projects	$4,504	$7,947	$10,236
Operations	$259	$259	$321
Maintenance	$1,614	$1,614	$2,567
Rehabilitation	$2,017	$2,017	$3,493
Subtotal	$15,437	$23,613	40,070
Local Streets and Roads			
New Facility Construction	$4,873	$5,721	$6,554
Regionally Significant Arterials	$914	$1,437	$1,646
Operations/Maintenance/Rehabilitation	$5,130	$5,759	$7,870
Subtotal	$10,917	$12,917	$16,070
Goods Movement			
Air Cargo, Pipeline and Maritime		$772	$2,319
Rail and Borders		$932	$7,782
		$1,704	$10,101
Land Use/Systems Management/Demand Management			
Smart Growth Incentive Program	$206	$206	$330
Bicycle/Pedestrian Improvements	$377	$377	$480
Transportation Systems Management	$506	$506	$750
Transportation Demand Management	$155	$191	$210
Subtotal	$1,244	$1,280	$1,770
Total Expenditures	**$40,772**	**$57,390**	**$87,869**
Total Available Revenue	**$40,772**	**$57,390**	**$57,390**
Surplus/Deficit	**$0**	**$0**	**-$30,479**

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 $320 million in 2006 dollars between today and 2030. For comparison, a one-cent-per-gallon-per-year increase over the same time period would generate about $4.2 billion, while a one-half cent increase in the transportation sales tax would generate nearly $7 billion. Using these estimates, a nearly one dollar-per-gallon, one-time gas increase, or a 7.4-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 2.2 percent sales tax would need to be enacted in addition to the one-half cent *TransNet* sales tax program already included in the Revenue Constrained plan. 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 projects and services.

ACTIONS

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

FINANCIAL STRATEGIES	
Proposed Actions	**Responsible Parties**
General Legislative and Funding Actions	
1. 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 and local agencies
2. Maximize opportunities to secure unique funding sources for the region that can supplement the Smart Growth Incentives Program and related infrastructure improvements.	SANDAG and local agencies
3. Evaluate the feasibility of and pursue potential funding sources to pay for the Reasonably Expected Revenue Scenario.	SANDAG
4. Support adjustment to the *TransNet* Regional Transportation Congestion Improvement Program (RTCIP) to cover the additional facilities added to the Regional Arterial System (RAS).	SANDAG
5. 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; and f. Authorizing a minimum five-year highway and transit program to provide needed program stability and continuity of federal transportation policy.	SANDAG

FINANCIAL STRATEGIES	
Proposed Actions	**Responsible Parties**
6. 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); b. Ensuring that any re-evaluation 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; f. Increasing transit revenues to support transit operating and capital improvements, including transit guideway projects; g. Establishing a user fee-based program to fund transportation infrastructure to accommodate increases in Goods Movement activities; and h. Evaluating the feasibility of and pursuing potential funding sources to pay for the Reasonably Expected Revenue Scenario.	SANDAG
7. 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
8. Support state and federal legislation that provides the legal framework for expanded public/private partnerships for specific toll projects identified in the RTP.	SANDAG
9. Support state and federal legislation that provides the legal framework for public agencies to invest in and help develop public toll facilities for projects identified in the RTP.	SANDAG
10. 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

FINANCIAL STRATEGIES	
Proposed Actions	**Responsible Parties**
Local Jurisdiction Actions	
11. 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	
12. 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 and transit operators
13. Work with local, state, and federal officials to ensure that the region receives an equitable share of available discretionary transit funds.	SANDAG and transit operators
14. 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 and transit operators
15. 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, MTS, NCTD, and local jurisdictions