

APPENDIX

B

Transportation
Finance

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TRANSPORTATION FINANCE

1. Introduction

In the SCAG Region, infrastructure impacts from continued population growth and congestion have outpaced the available funds necessary to fully restore the transportation system. In addition, environmental considerations have remained a challenge in the Region's ability to improve mobility. Clearly, there is a fine balancing act that must be accomplished to meet mobility objectives.

As the federally designated MPO, SCAG is required to prepare a long range financial plan for the RTP. The financial plan must demonstrate how the RTP can be implemented, identify funding sources that can be "reasonably available" over the Plan period, and recommend innovative funding strategies and mechanisms for addressing revenue shortfalls.

Several major legislative actions have and will continue to directly impact the development of the 2004 RTP financial plan. More recent events affecting transportation revenues have included the passage of Proposition 42 in March 2002 and Riverside County's reauthorization of its local sales tax (Measure A) in November 2002.

In addition, the development of the 2004 RTP continues to involve the identification and analyses of potential fiscal challenges impacting the flow of transportation revenues to the SCAG Region. The financial section of the technical appendix outlines these specific issues and methodologies considered in developing the 2004 RTP financial plan.

The financial section is divided into several major components, each describing in detail the data elements that contributed to the development of the financial plan. The major components of this appendix section include:

- Long term trends in transportation funding.
- Revenue sources and assumptions
- Capital, operations and maintenance expenditures
- Alternative funding options
- Funding strategy

Additionally, this section of the appendix includes information about the assumptions used to calculate costs for the transit corridors and highway projects proposed in both the constrained and unconstrained list of projects.

2. Long Term Trends in Transportation Funding

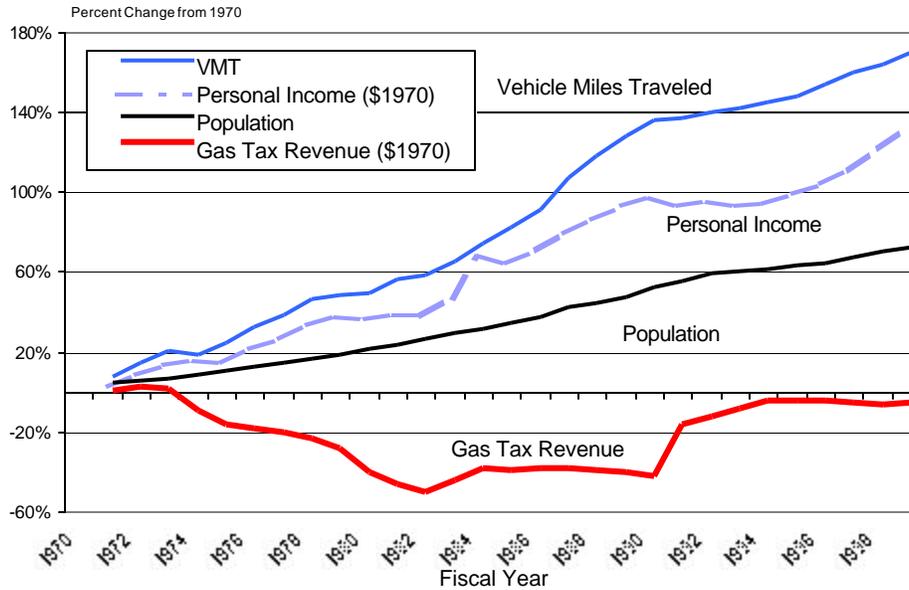
The following discussion establishes a framework within which the financial plan was prepared, identifying the general trends and conditions impacting transportation revenues for the SCAG Region. The growth trends associated with some of California's primary transportation funding sources in relation to the growth in important economic and social factors such as population, vehicle miles traveled (VMT) and personal income, are indicative of the ongoing fiscal challenges facing the Region.

As the following graphs show, historically transportation revenues have lagged the growth in population, VMT and personal income. On a constant year's basis, the three factors have outpaced transportation funding in significant proportions. Using 1970 as the base year, the relative purchasing power of state gas tax revenues since 1970 has not reached the level attained in 1970, even with the doubling of the tax starting in 1991 (see Graph 1). Only since the advent of local transportation sales taxes have the revenues been above the 1970 purchasing level (Graph 2). However, it is expected that the trend in

transportation revenues exceeding the 1970 base year's purchasing power will be reversed due to the expiration of local transportation sales taxes over the next decade.

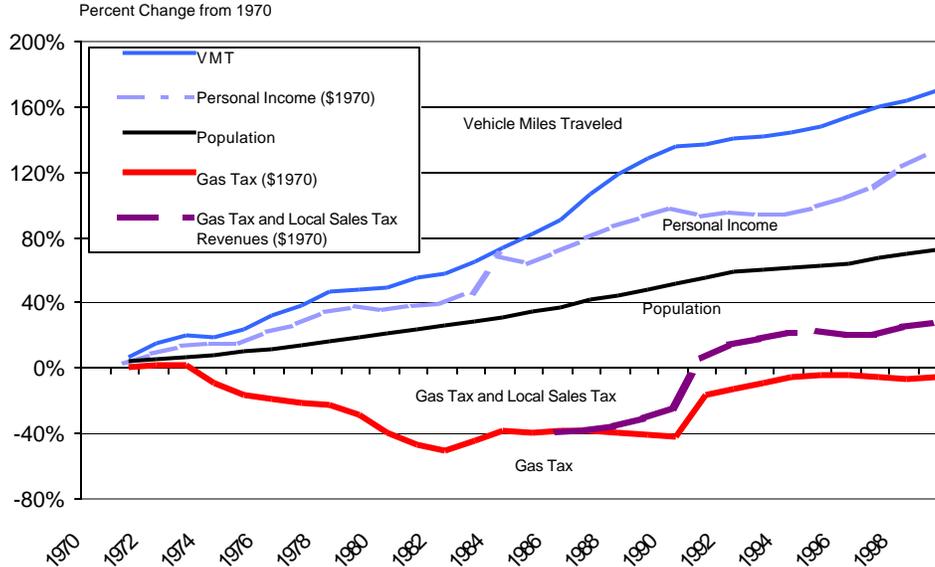
Graph 1

**Percentage Change in VMT, Personal Income, Population
and Gas Tax Revenue Since 1970
Statewide Totals**



Graph 2

**Percentage Change in VMT, Personal Income, Population
Gas Tax Revenue and Local Sales Taxes Since 1970
Statewide Totals**



Comparison of California’s Gas Tax Rates and Revenues to Other States

Another dimension to the framework for the RTP financial plan is the relationship of California’s funding sources in relation to those in other states. One key revenue source, the state gas tax, is a fundamental revenue source for transportation projects in just about every state. California’s excise gas tax rate is currently 18 cents per gallon. Several factors contribute to the amount of gas tax revenues that a state collects. Certainly the state’s gas tax rate, its population, number of registered vehicles and annual vehicle miles traveled are all factors in the total amount of gas tax revenues. Table 1 ranks the states (including the District of Columbia) by the amount of revenues collected in 2001 (most recent data available). California ranks first in revenue collected and Texas ranks second, although Texas’ gas tax is two cents higher than California’s.

However, in comparing just the state gas tax rates, California ranks 39th out of 51 as shown in Table 2. Rhode Island imposes a 29 cents per gallon gas tax, the highest state gas tax in the country, while Georgia imposes the lowest tax at 7.5 cents per gallon. On a gas tax revenue per capita basis, California ranks 45th in the nation with a gas tax revenue per capita equal to \$92.90 (Table 3). Montana, with the third highest state gas tax in the country in 2002, ranks first on a per capita basis with collections equaling \$205.00 per person.

State gas tax revenues are also compared on the basis of per registered driver. As shown in Table 4, California ranks 43rd with revenues equivalent to \$145.50 per registered driver. Montana leads the nation again with gas tax revenues of \$270.60 per registered driver. Judging from these statistics, although California collected the most gas tax revenues in 2001, its tax rate and revenues on a population or registered driver basis do not rank high compared to those in other states. These statistics demonstrate the limited resources that are available to transportation in California as well as the SCAG Region.

Table 1

Comparison of California Gas Tax Revenues to Those of Other States Rank from Highest Revenues Generated to Lowest for 2001					
Rank	State	Gas Tax Revenues (\$thous.)	Rank	State	Gas Tax Revenues (\$thous.)
1	California	3,146,890	27	Arkansas	411,656
2	Texas	2,836,708	28	Connecticut	411,165
3	Pennsylvania	1,731,824	29	Iowa	410,077
4	Florida	1,700,435	30	Oklahoma	406,303
5	Ohio	1,539,007	31	Oregon	394,804
6	New York	1,481,935	32	Nevada	382,185
7	Illinois	1,244,781	33	Mississippi	375,511
8	North Carolina	1,228,876	34	Kansas	359,336
9	Michigan	1,074,575	35	Utah	322,146
10	Wisconsin	837,814	36	Nebraska	302,461
11	Virginia	822,294	37	West Virginia	298,774
12	Indiana	752,706	38	New Mexico	236,251
13	Washington	742,844	39	Idaho	228,969
14	Tennessee	713,389	40	Montana	184,906
15	Maryland	700,871	41	Maine	168,686
16	Missouri	665,913	42	New Hampshire	141,836
17	Massachusetts	661,524	43	Rhode Island	134,968
18	Minnesota	627,324	44	South Dakota	129,103
19	Arizona	589,263	45	North Dakota	102,386
20	Louisiana	570,142	46	Delaware	99,318
21	Alabama	568,632	47	Wyoming	97,219
22	Colorado	546,156	48	Vermont	86,835
23	New Jersey	534,092	49	Hawaii	71,269
24	Kentucky	473,832	50	Alaska	28,791
25	South Carolina	462,801	51	Dist. of Col.	28,688
26	Georgia	450,537			

Source: Federal Highway Administration, (Gross Tax Collections)

Table 2

Rank of Highest State Gas Tax Rates to Lowest for 2001						
Rank	State	Tax (Cents)		Rank	State	Tax (Cents)
1	Rhode Island	29.0		27	Iowa	20.0
2	Wisconsin	27.3		28	Louisiana	20.0
3	Montana	27.0		29	Texas	20.0
4	Pennsylvania	26.0		30	Vermont	20.0
5	West Virginia	25.7		31	Tennessee	20.0
6	Connecticut	25.0		32	New Hampshire	19.5
7	Idaho	25.0		33	Illinois	19.0
8	Nevada	24.8		34	Michigan	19.0
9	Utah	24.5		35	New Mexico	18.5
10	Nebraska	24.5		36	Mississippi	18.4
11	North Carolina	24.1		37	Alabama	18.0
12	Oregon	24.0		38	Arizona	18.0
13	Maryland	23.5		39	California	18.0
14	Washington	23.0		40	Virginia	17.5
15	Delaware	23.0		41	Missouri	17.0
16	New York	22.0		42	Oklahoma	17.0
17	Colorado	22.0		43	Kentucky	16.4
18	Ohio	22.0		44	South Carolina	16.0
19	South Dakota	22.0		45	Hawaii	16.0
20	Maine	22.0		46	Indiana	15.0
21	Arkansas	21.7		47	Wyoming	14.0
22	Massachusetts	21.0		48	Florida	13.6
23	North Dakota	21.0		49	New Jersey	10.5
24	Kansas	21.0		50	Alaska	8.0
25	Dist. of Columbia	20.0		51	Georgia	7.5
26	Minnesota	20.0				

Source: Federal Highway Administration

Table 3

Comparison of Gas Tax Revenues Per Capita for 2001					
Rank	State (Highest Revenues Per Capita to Lowest)		Rank	State (Highest Revenues Per Capita to Lowest)	
1	Montana	\$205.0	27	Colorado	127.0
2	Wyoming	196.9	28	Delaware	126.7
3	Nevada	191.3	29	Washington	126.0
4	Idaho	177.0	30	Tennessee	125.4
5	Nebraska	176.7	31	Indiana	123.8
6	South Dakota	171.0	32	Connecticut	120.7
7	West Virginia	165.2	33	Missouri	119.0
8	North Dakota	159.4	34	Oklahoma	117.7
9	Wisconsin	156.2	35	Kentucky	117.2
10	Arkansas	154.0	36	Virginia	116.2
11	North Carolina	152.7	37	Oregon	115.4
12	Utah	144.3	38	South Carolina	115.4
13	Vermont	142.6	39	Arizona	114.9
14	Pennsylvania	141.0	40	New Hampshire	114.8
15	Iowa	140.1	41	Michigan	108.1
16	Texas	136.0	42	Florida	106.4
17	Ohio	135.6	43	Massachusetts	104.2
18	Kansas	133.7	44	Illinois	100.2
19	Maryland	132.3	45	California	92.9
20	Maine	132.3	46	New York	78.1
21	Mississippi	132.0	47	New Jersey	63.5
22	New Mexico	129.9	48	Hawaii	58.8
23	Rhode Island	128.7	49	Georgia	55.0
24	Alabama	127.9	50	Dist. of Col.	50.1
25	Louisiana	127.6	51	Alaska	45.9
26	Minnesota	127.5			

Table 4

Comparison of Gas Tax Revenues Per Registered Driver for 2001					
Rank	State (Highest Revenues Per Driver to Lowest)		Rank	State (Highest Revenues Per Driver to Lowest)	
1	Montana	\$270.6	27	Delaware	176.1
2	Nevada	269.0	28	Washington	175.3
3	Wyoming	262.2	29	Missouri	172.4
4	Idaho	255.4	30	Kentucky	171.9
5	Nebraska	238.7	31	Tennessee	170.3
6	South Dakota	236.9	32	Vermont	168.5
7	Wisconsin	228.4	33	Virginia	167.1
8	West Virginia	226.9	34	Colorado	166.1
9	North Dakota	224.6	35	Arizona	166.0
10	Texas	217.4	36	South Carolina	162.4
11	Utah	215.4	37	Alabama	159.7
12	Minnesota	211.8	38	Illinois	159.4
13	Pennsylvania	210.5	39	Oregon	155.8
14	Arkansas	209.8	40	Connecticut	155.1
15	Louisiana	209.7	41	Michigan	154.0
16	North Carolina	208.8	42	New Hampshire	150.6
17	Iowa	207.2	43	California	145.5
18	Rhode Island	204.4	44	Massachusetts	143.5
19	Maryland	203.0	45	New York	134.5
20	Mississippi	201.9	46	Florida	133.4
21	Ohio	198.9	47	New Jersey	93.5
22	Kansas	192.0	48	Hawaii	90.5
23	New Mexico	191.8	49	Dist. of Col.	87.4
24	Oklahoma	187.0	50	Georgia	77.2
25	Indiana	182.8	51	Alaska	61.0
26	Maine	179.0			

3. RTP Financial Plan

The RTP financial plan was developed with the guidance provided by the SCAG Highway and Transportation Finance Task Force. The Task Force, composed of locally elected officials and staff from local transportation agencies, was responsible for preparing the update to the financial plan and addressing the various issues and options that could impact the plan. The Task Force also worked jointly with other SCAG task forces that were responsible for other portions of the RTP.

Financial analysis was conducted for both revenues and expenditures. As a way to evenly compare the anticipated revenues with cost estimates projected during different time frames, all of the data was adjusted to a common base year. This enabled the data to be expressed in a common year that allows for even comparisons between and among the revenues and costs. The base year chosen was 2002. A three (3) percent de-escalation factor, adopted by the Finance Task Force, was used to convert the anticipated revenues and costs to constant 2002 dollars.

A Regional revenue model was developed to forecast the revenues during the long-range time horizon of the Plan. The revenue model provided a detailed forecast that can allow for analysis on a county by county basis or by funding source. The data could be summarized for the full Plan period or in a particular time increment, such as in five-year increments. The Finance Task Force approved the financial assumptions that factored into the model. The model also took into account external influences that could affect the level and predictability of the revenue streams, such as air quality regulations and vehicle technology, legislative initiatives, and economic factors.

4. Revenue Sources

The revenues identified are those that have been providing for the building, operations, and maintenance of the current roadway and transit systems in the Region. The Regional revenues are from traditional local, state and federal sources.

The traditional funding sources identified in this section do not add up to the total costs required to implement all significant projects that will improve mobility. However, the revenues provide a benchmark from which additional funding could be identified. The assumptions governing the revenues are described in detail, along with the general conditions guiding the revenue forecast. Alternative financing methods and strategies are considered and discussed in the latter half of this section.

The SCAG Region's Baseline revenue forecast comprises existing transportation funding sources identified for the full RTP period (2002-2030) in constant 2002 dollars. The Baseline forecast extends existing transportation funding sources to the year 2030 and does not include assumptions about future increases in tax rates nor extensions of tax measures beyond their expiration date unless approved through recent ballot initiatives.

Revenue sources identified for the Baseline include the following:

Local

- Transportation Development Act
- County transportation sales taxes
- Transit fares
- Gas Tax Subventions

- Local agency funds¹
- Miscellaneous funds²

State

- State Transportation Improvement Program, Regional share
- State Transportation Improvement Program, InterRegional share
- State Transit Assistance
- Transit Capital Improvement/Proposition 116
- State Highway Operations and Protection Plan/Operations and Maintenance
- Traffic Congestion Relief Plan
- Proposition 42

Federal

- Regional Surface Transportation Program
- Congestion Mitigation and Air Quality
- Other/Demonstration³
- Section 5307 (transit)⁴
- Section 5309 (transit)

5. The Region's Ongoing Fiscal Challenges

TEA-21 Reauthorization/ State Budget Crisis

Established by Congress in 1991 with the Intermodal Surface Transportation Efficiency Act (ISTEA) and renewed in 1998 through the Transportation Equity Act for the 21st Century (TEA-21), TEA-3 is the third iteration of the federal surface transportation vision. TEA-3 will have a significant impact on the availability of transportation funding in the SCAG Region.

On May 14, 2003, President Bush released his reauthorization proposal known as the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003 or (SAFETEA) at a funding level of \$247 billion over six years – later modified by the President's FY2005 Budget to \$256 billion. Although the House Transportation and Infrastructure Committee initially called for a \$375 billion measure based on the U.S. Department of Transportation's Conditions and Performance Report, more recently House leaders have been considering lower funding levels to find a compromise between the Senate-passed level and the President's proposal. On February 12, 2004 the Senate voted (76-21) to approve S.1072, which would fund \$318 billion for highways, transit and safety programs over six years. On April 2, 2004 the House voted (357-65) to approve H.R.3550 – a \$275 billion bill to reauthorize surface transportation programs over six years. As the reauthorization debates continue and TEA-3 becomes finalized, appropriate modifications will need to be made to the 2004 RTP financial plan.

Additionally, California's budget crisis may continue to have significant impacts on transportation funding for the SCAG Region. Many transportation projects/programs would be impacted including the Traffic Congestion Relief Program (TCRP) project commitments and associated formula allocations for local

¹ Includes Orange County Gasoline Tax Fund: Transportation Corridor Agencies toll revenues in Orange County; and local agency contributions to committed projects.

² Includes transit advertisement and auxiliary revenues, lease revenues and interest and investment earnings on cash balances for programs such as Measure sales tax programs.

³ Includes programs such as Regional Transportation Enhancements, Highway Bridge Rehabilitation, grade crossings and hazard elimination. Also includes Federal High Priority Projects for the Region, other federal funds for specific projects (e.g. Alameda Corridor) and MTA clean fuels program.

⁴ Includes Section 5311 (rural operating) funds for Imperial and Riverside Counties.

streets and roads, the State Transportation Improvement Program (STIP), and State Transit Assistance (STA) for transit operators. Additionally, the State Highway Account (SHA) cash balance is projected to fall below planned levels primarily due to lower than expected truck weight fee revenues and gas tax receipts.

Expiration of the Local Transportation Sales Tax

In the SCAG Region, four counties including Imperial, Orange, Riverside, and San Bernardino are considered “self-help” counties. Voters of these counties approved special (½ cent) local sales tax measures dedicated to transportation expenditures for a limited time period. These local transportation sales taxes are scheduled to expire over the next ten years in each of these counties. In November 2002, Riverside County secured approval by county voters to reauthorize their local sales tax measure by obtaining nearly 70 percent approval to continue the sales tax for an additional 30 years (2009-2039). Ventura County does not impose such a tax and Los Angeles County levies a permanent 1 percent tax (a combination of two ½ cent tax initiatives, Propositions A & C). More recently, however, Los Angeles County has initiated an effort to pursue another ½ cent sales tax measure to address the LACMTA’s transportation funding needs. This initiative is further discussed in the latter half of this finance technical appendix (please refer to the discussion on funding strategy).

These taxes are in addition to the sales and use tax levied statewide, and are generally imposed upon the same transactions and items subject to the statewide sales and use tax, namely the sale of tangible personal property and storage or use/consumption within particular jurisdictions.

The local transportation sales tax underscores the importance of local funding generally in financing transportation investments throughout the SCAG Region. In fact, the most significant source of revenue for the Region is local. Local funding accounts for 75 percent of the \$120 billion (in baseline revenues) forecasted as being available for transportation investments in the Region. As a result of a State Supreme Court decision, however, a two-thirds approval by county voters is required to re-authorize the taxes and/or impose new sales tax measures.

Possible Market Penetration of Alternative Fuel Vehicles Could Limit State and Federal Gas Tax Revenue Growth

SCAG recognizes the possibility that technological improvement, in addition to emission budget requirements, may result in a motor vehicle fleet that would consume less gasoline and/or rely on alternative energy sources. The market penetration of alternative fuel vehicles, in addition to more fuel-efficient vehicles, if they come to pass, would erode the revenues generated by gasoline sales and diminish the gas tax as a reliable source of revenue. Further study is needed to assess the penetration rate, and in turn the impacts on transportation revenues.

In relative terms, the growth in the use of gasoline has been declining over the last three decades. Between 1970 and 1997 vehicle miles traveled statewide increased 143 percent (from 117 billion to 285 billion miles) while the gallons of gasoline sold grew 70 percent (from 9.4 billion to 16.0 billion gallons). This shows that growth in travel exceeded the growth in gasoline sales by more than two times. California’s population during that period, for comparison, grew by 63 percent.

It is a further possibility that the California Air Resources Board’s (CARB’s) policies and the SIP requirements regarding the introduction of alternative fuels could substantially accelerate the divergence between the increase in travel and the use of gasoline.

A shift away from vehicles with internal combustion engines fueled by gasoline would likely occur over the next ten years. This means a transition from gasoline vehicles to cleaner burning alternative fueled vehicles. Alternative fuels would include electric, compressed natural gas (CNG), methanol and fuel cells.

As part of the strategies to improve air quality, automakers have also offered a line-up of vehicles that still consume gasoline, but are cleaner burning and the emissions are less than the traditional gas engine. These vehicles include Ultra Low Emission Vehicles (ULEVs), Super Ultra Low Emission Vehicles (SULEVs) and hybrids that combine both gasoline and electricity for energy.

One major issue regarding the switch to alternative fuels is the potential loss in gasoline tax revenues, both the state and federal per gallon excise taxes and the sales taxes that are applied to gasoline. Since state and federal gasoline taxes would be lost from the shift to alternative fuels, several traditional revenue sources in the revenue model would be affected. The following traditional revenue sources would be affected from the forecasted loss in gasoline consumption:

1. State Transportation Improvement Program
2. State Highway Operations Protection Plan
3. Regional Surface Transportation Program
4. Congestion Mitigation and Air Quality Program
5. Federal Local Assistance
6. Federal Transit Administration Funds
7. State Transit Assistance
8. Transit Development Act
9. Local Sales Tax

The degree of impact is dependent on each revenue source's reliance on gasoline taxes. Full impact would occur in Los Angeles County, Orange County, Riverside County and San Bernardino County. Reduced impacts would occur in Ventura County and Imperial County since these two counties technically are not a part of the South Coast Air Basin (SCAB), but are assumed to feel some effects from the loss of gasoline taxes in the Region.

Most Impact

The funding sources that have either the state or federal gasoline excise tax as their primary revenue stream incur the greatest impact from the conversion of vehicles to alternative fuels. These revenue sources include the state STIP and SHOPP, and the federal RSTP, CMAQ and Local Assistance programs. This assumption would apply to the affected funding sources in the revenue model starting in 2010 through the remaining RTP time horizon.

Prior to 2010, assumptions were made that funding sources would be affected in phases, in a ramp up approach. This assumes the gradual and continuous introduction of alternative fuel vehicles into the overall fleet, which would result in the gradual reduction in gasoline taxes.

Lesser Impact

Federal Transit Administration funds (e.g., FTA Section 5307, 5309 and 5311) would also be impacted by the loss in federal gasoline taxes. However, federal general fund monies are anticipated to continue to contribute approximately 30 percent to transit funding under TEA-21. Therefore, the impacts are assumed to not be as severe. Based on the proportion of federal gas tax revenues that fund federal transit programs, plus the assumed rate of gasoline reduction from alternative fuels, the transit revenues would be adjusted.

Also, the State Transit Assistance program would be affected by the reduction in gas taxes, but also at an assumed lesser rate. The STA program has two primary revenue streams, one being sales tax revenues generated from the state sales tax that is applied to a portion of the state gas excise tax, and the other being state sales tax revenues generated from diesel fuel sales.

Lastly, Transportation Development Act and Local Sales Tax revenues would be affected due to the assumed loss in sales tax revenues from the reduction in gallons consumed. Based on the State Controller Annual Report, service station tax revenues currently make up about 8 percent of total sales tax revenue. An assumption was also made that 85 percent of the service station revenues are derived from gasoline sales. TDA and local sales tax revenues would be adjusted based on these assumptions.

Ventura County and Imperial County are technically not in the South Coast Air Basin where the air quality impacts are proposed. However, it is assumed that the potential loss in gasoline tax revenues in the Los Angeles basin would have an impact on the state's overall gasoline tax revenue pot, thereby affecting the other counties' funding statewide. Not all gas tax revenues generated in the SCAB are returned to source, with the leakage of revenues being distributed to the other counties through state transportation formulas and from state policy decisions. It is assumed, then, that Ventura and Imperial County revenues in the forecast would be impacted from alternative fuel penetration, but to a lesser degree.

SCAG recognizes that the impacts on transportation revenues due to alternative fuel vehicles would depend on the actual market penetration rate. Over the past few years, the penetration of alternative fueled vehicles through 2030, has been estimated within a wide range as rules set forth by the SCAQMD's Air Quality Management Plan and the California Air Resources Board have been implemented or revised. To address this range, the RTP assumes that revenue shortfalls from decreased gasoline consumption could be made up by means of a revenue raising mechanism applied to alternative fuels. Alternative fuel vehicle users would then contribute to supporting and maintaining the transportation system they are using. If the penetration rate were to be as low as 2-5 percent as currently estimated by CARB, gasoline tax revenue loss would be minimal, not necessitating a revenue raising mechanism on alternative fuel vehicles. Should the penetration rates go above this range, a revenue raising mechanism would be needed to pay for maintaining the existing transportation system and building new RTP projects (through the year 2030).

In adopting the 2004 RTP, the Regional Council recognizes that a revenue raising mechanism on alternative fuels would be under further study with the option to implement should the penetration sufficiently reduce gasoline tax revenues. Further commitment to this course of action is identified in the legislative strategy and its implementation which staff is currently pursuing (further discussed in a later section).

An Aging Society That Could Consume Fewer Taxable Items

Modest changes in the rate of economic growth can have substantial implications on transportation revenues under the existing tax structure. Additionally, growth projections can be critical in identifying funding possibilities and in turn, making infrastructure investment decisions. SCAG continues to research and monitor the regional planning implications of long-term economic and demographic trends.

SCAG's recent research effort has highlighted the potential impacts from the aging Baby-Boom generation. As they enter the 65 years and older age category, explosive growth in the elderly population is projected to occur between 2010 and 2030. This could have significant impacts on labor force growth and the overall economy. Historical and current trends indicate that as consumers age, both their level of spending and the way they allocate their spending changes. Seniors generally spend less, especially on taxable items, compared to the younger generations. Accordingly, there is the potential for further declines in transportation revenues from the loss in sales taxes as the elderly population grows. Similarly, significant shifts in demographics may be critical in evaluating future infrastructure demand and in turn, appropriate levels of transportation investment.

An analysis was undertaken to estimate the potential transportation revenue impacts from the future demographic shift to an older society. A base assumption is that an older society will shift its expenditure habits to spend less on taxable items such as retail purchases, and more on non-taxable items such as medicine. To support this assumption, information on taxable sales was collected from the annual Consumer Expenditure Survey conducted by the Federal Bureau of Labor Statistics (BLS). The survey

provides data on the amount of income spent on taxable and non-taxable items by age group. The survey found that as the age groups increased, they spent a smaller portion of their income on taxable items. An older society implies that a greater proportion of the region's residents will be in the older age groups compared with today, indicating the potential that sales tax revenues could decline. Using data from the BLS and the SCAG demographic forecast, the estimated decline in sales tax revenues was estimated to gradually increase from under 1 percent today to about 6 percent by the year 2030.

Economic Factors

The general health of the nation's economy underlies much of the revenues generated for transportation. Whether through excise taxes, sales taxes or transit fares, overall economic conditions play a large role in the level of revenues that go toward transportation. Although it is difficult to predict economic fluctuations, the revenue model takes a more conservative approach to providing forecasts in the outer years of the RTP time horizon. The approach includes maintaining historical average growth rates for the revenue sources or using incremental growth patterns such as the step-up method. This provides fiscal responsibility to the assessment of the Region's ability to finance transportation projects over a long-term period. In addition, the de-escalation rate of 3 percent is kept constant in the model to provide simple comparisons between alternatives in different time frames.

6. Framework for the Revenue Forecast

The revenue model was developed within a framework that was approved by the Finance Task Force. The elements of the framework include the following:

- The forecast horizon for the 2004 RTP is from 2002 through 2030.
- The underlying assumptions and numbers are based on the financial planning documents developed by the local county transportation commissions and transit operators in the Region, as well as by Caltrans. This ensures consistency between the SCAG forecast and the planning documents of the county commissions.
- Nevertheless, SCAG's policy committees and task forces further refined these county specific forecasts to fit into a format of a revenue range (low, medium, and high) for a regional evaluation of transportation revenues. In light of recent declines in transportation funding, the 2004 RTP utilizes the "low" baseline revenue scenario as a benchmark - recognizing the need to acknowledge more conservative revenue estimates than what may be reflected in the financial plans of the county transportation commissions.
- The numbers are organized on an aggregate basis to represent the anticipated transportation funding amounts for the Region.
- The financial plans collected from each county have forecast periods that vary for the funding sources. Some plans included 5-year forecasts, while others provided 10 and 20-year projections.
- Where there are gaps in the projections in the outer years between the county forecasts and the RTP time horizon, additional revenue growth assumptions were made. These included using some of the growth assumptions that were contained in the prior 2001 and 1998 RTP, and deriving average or conservative growth rates that could be extrapolated from the financial plan documents.

- Given the size of the Region, the revenue growth rates for the funding sources contain variations among the counties.
- The forecast would provide a benchmark from which additional funding could be identified for the unfunded RTP projects.

7. Specific Revenue Assumptions

From the framework established for the revenue model, specific revenue growth assumptions were developed which provided the foundation for the revenue forecast. The forecast seeks to maintain consistency with the financial plans developed by the various county transportation commissions and transit operators.

One of the primary efforts undertaken in developing the financial forecast was to work with the local commissions on the assumptions. Therefore, the revenue forecast contains several revenue assumptions provided by these local agencies. In addition, some of the assumptions are based on growth rates made in the 2001 RTP, as well as from historical data. The growth assumptions for each revenue source are contained in the following table. The growth rates cited are in nominal terms unless indicated otherwise.

Nevertheless, as indicated previously, the regional RTP forecast acknowledges more conservative revenue estimates than what may be reflected in the financial plans of the county transportation commissions. The baseline revenue estimate in this 2004 RTP reflects SCAG's "low" revenue scenario as approved by the Highway and Transportation Finance Task Force for analytical and planning purposes.

Several major changes or additions were made to the financial revenues. New to the financial forecast is the inclusion of beginning balances of revenues. Through working with the local CTC's, several revenue sources have been identified to have funds in reserve that carryover from prior years into the RTP time horizon. This ensures greater consistency between financial plans as well as better matching between available revenues and committed expenses.

Proposition 42 revenues, which were part of the public funding strategy in the 2001 RTP, are included in the baseline revenue forecast for the 2004 RTP. Proposition 42 was passed by state voters in March 2002 and extends indefinitely the revenues from the state sales tax on gasoline for transportation projects. Because of its passage, the revenue strategy in the prior RTP to implement Proposition 42 was accomplished.

Gasoline tax subventions are added as part of the local revenue sources. Subvention revenues come from part of the 18 cents per gallon state gas tax and are derived by formula for distribution to local jurisdictions, including counties and cities. The primary use of subventions is for local street and road maintenance. The RTP includes revenues for arterials that are considered "Regionally significant" in SCAG's Regional transportation network.

LOCAL REVENUE SOURCES

Transportation Development Act

TDA funds are derived from a ¼ percent sales tax on retail sales in the state. Funds are returned to the county of tax generation. The TDA revenue growth rates vary for each county based on sales tax forecast data provided by the local transportation commissions. Revenues reported by the State Board of Equalization (SBOE) for each county are included for FY 2002, which is the latest available published data by the SBOE for annual revenues. In the future years, for counties that provided data, a range of growth rates was used. The annual nominal growth rates assumed through the forecast include the following:

- Imperial – 2.0 percent
- Los Angeles – 4.5 to 5.5 percent
- Orange – 4 to 6 percent
- Riverside – 2 to 7 percent
- San Bernardino – 3 to 7 percent
- Ventura – 3.5 percent

The growth rates for TDA are consistent with those for local sales taxes since both sources are tied to sales tax revenue generation. The TDA revenue estimates provided by OCTA for Orange County include a reduction of \$38 million per year between 1998 and 2011 for matters related to the county bankruptcy settlement.

Local Transportation Sales Tax

Revenues are derived from locally imposed ½ percent sales taxes for transportation in five counties in the Region. Ventura County does not have a local transportation tax. Similar to TDA, revenue growth rates vary for each county based on local CTC sales tax forecast data. Revenues reported by the State Board of Equalization (SBOE) for each county are included for FY 2002, which is the latest available published data by the SBOE for annual revenues. The growth rates are consistent with those for TDA since both sources are tied to sales tax revenue generation. In the baseline, it is assumed that the “self-help” county taxes expire between 2009 and 2011. The sunset dates for the counties include:

- Imperial – 2010
- Orange – 2011
- San Bernardino – 2010

Riverside County voters reauthorized their local self-help tax for an additional 30-years, through 2039. The Measure passed in November 2002 with greater than the two-thirds approval requirement. Revenues from the extension are included in the baseline forecast. Los Angeles County has a permanent 1 percent local sales tax for transportation.

Farebox

Funding is derived from fare revenue estimates contained in financial sections of short-range transit plans for the major transit agencies, and long-range financial plans from the LACMTA and OCTA.⁵ Revenues in the forecast account for fixed route services (e.g. bus, urban rail, and light rail), smart shuttles, paratransit and dial-a-ride services. In addition, forecasted fare revenues were collected from the Southern California Regional Rail Authority for the Metrolink commuter rail system. The commuter rail revenues are distributed among the counties that support the rail service, based on data provided by SCRRA. Due to service modifications that are proposed in the transit plans, various growth rates in farebox collection are assumed for the transit operators. The growth would account for both ridership increases and increases in transit fares during the timeframe of the plan. In addition, to account for fare revenues generated by smaller transit operators providing service in the Region, including in San Bernardino County and Ventura County, fare revenues were estimated for these operators and combined into the overall county fare revenue totals. The nominal rates assumed include:

- Imperial – flat
- Los Angeles – 1 to 9 percent
- Orange – 2 to 10 percent
- Riverside – 3 to 11 percent
- San Bernardino – 5 to 10 percent
- Ventura – 1 to 3 percent

The Metrolink system-wide growth rate during the forecast ranges from 3 percent to 8 percent annually.

Orange County fare revenues include estimates from the proposed CenterLine light rail system that is scheduled to be implemented in the future. Los Angeles fare revenues include the newly implemented Gold Line light rail system.

Gas Tax Subventions

Gas tax subvention revenue data was collected from the State Controller Annual Reports for each city and county in the SCAG Region. Revenues for the forecast are shown in proportionality to the percentage of streets and roads in each county that are regionally significant. Streets and roads considered regionally significant are classified as generally being either an arterial or collector.

Road classification and lane mile data was collected from Caltrans as well as in consultation with the local CTC's. The proportion of arterials and collectors in each county relative to the total lane miles for that county was derived. Each county's proportion of regionally significant roads, expressed as a percentage, was then applied to the total subvention revenues for each county. The percentages are as follows:

- Imperial - 39%
- Los Angeles – 46%
- Orange – 50%
- Riverside – 37%
- San Bernardino – 45%
- Ventura – 41%

⁵ Major transit operators from which short range plans were collected include Omnitrans (San Bernardino County), Riverside Transit Agency (Riverside County), Sunline Transit Agency (Riverside County), and South Coast Area Transit (Ventura County). Long range financial plans were collected from MTA (for all LA County operators) and OCTA. Data on Imperial County transit was collected from Imperial County Public Works staff who administer the transit programs .

The revenues are summed for the cities within each county, and are shown separate from the revenues that are distributed to the counties. Growth in subvention revenues through the RTP is based on gasoline fuel consumption forecasted by Caltrans, which averages a little over 2 percent annually.

Local Agency Funds

Includes locally generated revenues in Los Angeles, Orange and Riverside Counties. Los Angeles County funds include local agency funds to match Call for Projects capital investments, and Los Angeles City funds through FY 2006 to pay for MTA bonds issued for the North Hollywood subway extension. For Orange County, funds include the Gasoline Tax Fund which is a gas tax exchange program between OCTA and the cities created from the county bankruptcy recovery; local maintenance of effort funds by local agencies to match Measure "M" tax revenues; and forecasted Transportation Corridor Agency (TCA) user toll revenues at an annual growth rate of 2 percent. The toll revenues only include user tolls and do not include development impact fees, interest income, or loans provided by the federal government. It is assumed that the south portion of the Foothill Corridor, Hwy 241 south of Oso Parkway to I-5 San Clemente, is operational by 2006. Revenues and costs for the toll roads are included since the toll roads are part of the existing SCAG highway network.

A transportation uniform mitigation fee (TUMF) will be implemented in 2009, which will provide new transportation revenues paid by new development in western Riverside County.

Also, an existing TUMF in the Coachella Valley that is part of the existing Measure tax program is currently generating revenue for transportation projects and will expire in 2009.

Miscellaneous Local Sources

Includes local revenue sources such as transit advertising and auxiliary revenues, lease revenues, and interest and investment earnings from reserve funds. Revenues are based on financial data from transit operators and local CTC's.

For Los Angeles County, interest income from Propositions A and C, the Local Transportation Fund, and State Transit Assistance are included under this source. For Orange County, interest income from Measure "M" and the Local Transportation Fund, as well as several transit-related programs, are included.

STATE REVENUE SOURCES

State Transportation Improvement Program/InterRegional Transportation Improvement Program

Funds are based on the 2002 STIP program of projects for the five years covering FY's 2003 through 2007. The 2004 STIP is to be adopted by April 2004 which will likely contain a different transportation funding program due to the state's ongoing budget crisis. In 2008, an average of the three-year fund estimate from the 2002 STIP is used as a base for the remaining years. Growth in the STIP is assumed to be tied to the gasoline fuel consumption forecast provided by Caltrans, which is a little over 2 percent per year. Revenues in the forecast are separated between the STIP Regional share and the Interregional share. OCTA and LACMTA provided long-range forecasts of STIP revenues. OCTA assumes a 2 percent annual growth in STIP funds, while MTA assumes a substantial decline by FY 2009, then assumes constant annual Regional Improvement Program funding of \$225 million between FY 2010 through 2012, and \$216 million starting in 2013.

State Transit Assistance (STA)

STA revenues are derived mainly from the sales tax on a portion of the gas excise tax, plus sales tax on diesel fuel sales. Funding through FY 2004 is based on either actual figures reported in the [TDA Statutes and California Code of Regulations](#) (published annually by Caltrans) or budget allocation estimates provided by the California Transit Association. Data was also made available from financial sections of short-range transit plans and financial plans for county transportation commissions. Levels of STA funding have been uncertain in the past due to the sensitivity to annual legislative budgetary activities. However, funding levels have been recently constant at around \$100 million annually. Revenues from Proposition 42 for transit are contained in that funding source.

While this uncertainty exists, it is assumed that growth occurs in funding over time. To account for this, STA funding is assumed to increase nominally by 1 percent per year. LACMTA forecasts STA revenues for Los Angeles County using a 1 to 2 percent annual growth rate through 2030. OCTA forecasts between 4 and 5 percent annual growth through 2030.

Transit Capital Improvement/Proposition 116

Remaining revenues in the prior Transit Capital Improvement program as well as from Proposition 116 for the Region. Both TCI revenues and Proposition 116 funds are assumed depleted, except for Orange County. Orange County assumes Proposition 116 revenues between FY 2006 and 2010 for the CenterLine project. The Public Transportation Account replaced the Transportation Planning and Development Account in 1998 per Senate Bill 45 (Kopp).

State Highways Operation and Protection Plan

State gas tax revenues are used for operations, maintenance and rehabilitation of the highway system. SHOPP revenues are taken "off the top" before allocations are made for the STIP. Revenues in the long term are based on the 2000 Ten-Year SHOPP program developed by Caltrans. The revenues in the short term through 2006 are based on the 2002 SHOPP program. Funding by the SHOPP vary within each county on an annual basis since the program must balance the highway needs of the entire state. However, counties with a proportionally high number of state highways, such as San Bernardino and Los Angeles Counties, have typically received a larger share of funds. Beginning in 2011, the growth in SHOPP revenues is tied to the fuel consumption forecast provided by Caltrans, with growth averaging a little over 2 percent annually. The forecast uses LACMTA's long-term SHOPP forecasts for LA County, which assumes a constant level of revenues.

Traffic Congestion Relief Program

AB 2928 (Torlakson), SB 1662 (Burton), and SB 406 (Ortiz) originally committed approximately \$8.2 billion in new transportation funding statewide. Of this amount, approximately \$5 billion was expected to fund the Governor's Traffic Congestion Relief Program (TCRP) between 2001 and 2006, with the SCAG Region receiving approximately \$2.4 billion. The new revenues were to cover a portion of the cost for specified projects. The local transportation commissions in the Region provided input as to the estimated annual funding amounts during the six-year period.

Due to the severe state budget crises in the past few years, the TCRP program has been delayed by two years (through FY 2008). In addition, revenues that were already transferred from the General Fund to the TCRP program were loaned back to the General Fund, with repayment by FY 2006. TCRP Funding has also been fully suspended in FY 2004 with repayment in 2009, but not guaranteed. As a result, project delivery of TCRP projects have been severely limited.

Although these past actions are recognized, the financial forecast continues to assume TCRP revenues (albeit in the later time frames set out by the recent budget actions). TCRP revenues are assumed between FYs 2005 and 2009, with the assumption that each county receives their share of revenues.

Proposition 42

Proposition 42 was passed by the general electorate in March 2002, which extends indefinitely the core elements of the TCRP program set to expire in FY 2008. Revenues are derived from the state sales tax on gasoline. Proposition 42 maintains the formula allocation programs established by the TCRP, minus the program of specific projects selected by the Governor. The STIP would receive 40 percent of the revenue, local streets and roads would receive 40 percent, and transit 20 percent.

Proposition 42 is expected to commence in FY 2009; however, it is uncertain how long the state's budget problems will continue, which could jeopardize funding of this revenue source, similar to what is occurring with the TCRP. In light of this, the financial forecast assumes implementation of this revenue program by FY 2009, recognizing the will and vote of the California people.

For the local street and road share, the forecast includes revenue in proportion to the percentage of roads that are "regionally significant", similar to the approach taken for the forecast of gas tax subventions.

FEDERAL REVENUE SOURCES

Regional Surface Transportation Program

Federal TEA-21 flexible spending program. Short-term revenues for each county are based on SCAG RTIP estimates for 2003-2005 (provided by Caltrans). Although TEA-21 officially expired on October 1, 2003, a five-month extension was passed to continue the act until reauthorization is completed.

For the long-term, revenues continue to grow at 1.4 percent annually starting in 2006, which is the historic growth in the federal highway trust fund. The forecast uses LACMTA's long-term RSTP forecast for LA County beginning in 2004, which assumes a 1.4 percent annual growth. OCTA assumes 2 percent annual growth.

Congestion Mitigation and Air Quality Program

CMAQ is a TEA-21 funding program for federally designated air quality non-attainment areas. Imperial County does not receive CMAQ funding. Short-term revenues for each county are based on SCAG RTIP estimates for 2003-2005 (provided by Caltrans). Although TEA-21 officially expired on October 1, 2003, a five-month extension was passed to continue the act until reauthorization is completed.

For the long-term, revenues continue to grow at 1.4 percent annually starting in 2006, which is the historic growth in the federal highway trust fund. The forecast uses LACMTA's long-term CMAQ forecast for LA County beginning in 2004, which assumes a 1.4 percent annual growth. However, to reflect improvements in air quality standards in Los Angeles County, MTA assumes a drop in funding by 50 percent in 2011 when attainment of the air quality standards are to be met. This drop in funding is not assumed for the other counties. OCTA assumes 2 percent annual growth in the forecast.

Other/Demonstration

Includes other important federal programs including Regional Transportation Enhancements, Highway Bridge Replacement and Rehabilitation, Hazard Elimination Safety, and Railroad/Highway Grade Crossing Protection. Funding through 2004 is based on Caltrans' statewide annual apportionments for these programs and SCAG's estimated share (approximately 49 percent, based on population). This category also includes Federal High Priority Projects identified for the Region in the SCAG RTIP through 2005. In addition, Orange County assumes additional demonstration funding to balance high priority projects in the RTP. The forecast includes revenues for the LACMTA federal clean fuel bus program. For the long-term, revenues grow at a rate of 1.4 percent annually starting in 2005, which is the historic growth in the federal highway trust fund. OCTA assumes 2 percent annual growth.

Transit Section 5310/5311

FTA Section 5311 revenues are for rural transit programs. FTA Section 5310 revenues are for specialized transit programs including for seniors and persons with disabilities. Operator's short range transit plans provided estimates of these revenues. Growth in the forecast beyond the SRTPs is 1.4%, which is the historic growth in the federal highway trust fund.

Transit Section 5307 Capital

Revenues for transit projects in urbanized areas, including capital purchases or preventive maintenance of the transit fleet. Near term funding through 2006 is based on forecasted data from financial sections of short-range transit plans and financial plans for county transportation commissions. Near term funding varies by year by county, depending on the programming assumptions utilized by the transit operators and CTC's when developing their short-range plans and financial plans, respectively. For the years beyond the financial plans, a 1.4 percent annual growth rate is used, which is the historic growth in the federal highway trust fund. The forecast uses LACMTA's long-term transit funding forecasts for LA County through 2030, which assumes a 1.4 percent annual growth. OCTA assumes 2 percent annual growth.

Transit Section 5309

Revenues for major new start transit projects, and fixed guideway improvements including bus and rail. Funding is based on forecasted data from financial sections of short-range transit plans and financial plans for county transportation commissions. It is assumed that Ventura County and Imperial County do not receive this funding source in the forecast. Funding for OCTA's CenterLine Rail project is shifted from this category in the previous RTP into the local assistance/demonstration category. Near term funding amounts vary by year by county, depending on the programming assumptions utilized by the transit operators and CTC's when developing their short-range plans and financial plans, respectively. For the years beyond the financial plans, average revenues are derived for each county based on their respective forecasts, with a 1.4 percent annual growth which is the historic growth in the federal highway trust fund. The forecast uses LACMTA's long-term transit funding forecasts for L.A. County through 2030. MTA documents separate funds between New Starts and Fixed Guideway Modernization. New Starts funding remains flat at \$70 million per year through 2015, from which then the funds fluctuate between \$15 million and \$17 million. Fixed Guideway Modernization funding assumes a 1.4 percent annual growth. Both funding types are combined in the forecast tables under this source.

8. Baseline Revenues

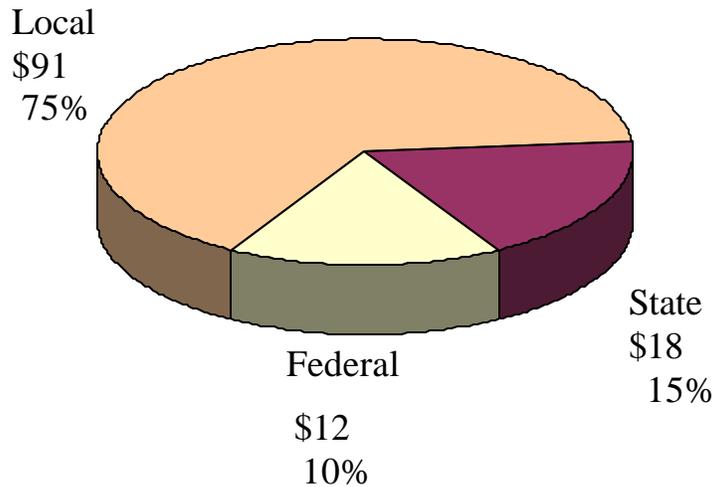
The following tables summarize the baseline revenues for the Region including the conditions and growth assumptions made. The revenues are disaggregated by county and by revenue source for the full RTP period. The numbers are presented in constant 2002 dollars, using a 3 percent de-escalation factor.

Table 5

County by County Revenue Forecast, 2002-2030							
<i>Millions (constant 2002 dollars)</i>							
Funding Source	County						
	Imperial	Los Angeles	Orange	Riverside	San Bernardino	Ventura	Total
Local Sources							
TDA	\$78.8	\$9,295.9	\$3,603.9	\$1,809.3	\$1,899.1	\$701.5	\$17,388.4
Local Sales Tax	62.1	35,625.6	2,123.8	3,587.0	908.0	0.0	42,306.5
Farebox	6.7	10,439.5	2,309.1	375.3	860.7	165.6	14,156.9
Gas Tax Subvention	61.0	1,765.7	463.3	221.4	313.3	243.4	3,068.0
Local Agency Funds	0.0	874.6	4,276.2	3,588.6	0.0	0.0	8,739.4
Miscellaneous Funds	0.0	1,791.3	1,140.2	29.8	33.2	6.3	3,000.8
Miscellaneous Carryover	0.0	378.2	1,444.6	57.7	87.0	0.0	1,967.4
Subtotal	208.6	60,170.8	15,361.1	9,669.1	4,101.3	1,116.8	90,627.4
State Sources							
STIP, Regional	241.7	2,216.7	689.8	659.7	773.0	464.3	5,045.2
STIP, InterRegional	182.2	450.1	179.8	216.5	412.4	48.6	1,489.6
Traffic Congestion Relief	8.6	1,648.6	202.3	98.4	176.6	13.0	2,147.6
Proposition 42	168.1	1,978.6	547.2	328.9	469.4	218.2	3,710.6
STA	4.6	502.9	144.1	35.7	49.2	25.8	762.3
TP&D (TCI)/PTA	0.0	28.7	84.7	0.0	0.0	0.0	113.4
SHOPP/O&M	194.5	1,930.3	430.8	306.3	1,060.1	283.3	4,205.3
Miscellaneous Carryover	0.0	88.2	0.0	0.0	0.0	0.0	88.2
Subtotal	799.7	8,844.1	2,278.7	1,645.5	2,940.7	1,053.2	17,562.2
Federal Sources							
RSTP	26.2	1,227.0	377.5	166.6	189.2	160.2	2,146.7
CMAQ	0.0	1,009.9	532.6	188.9	229.1	144.5	2,105.0
Other/Demonstration	17.0	698.4	1,072.9	106.7	187.5	77.3	2,160.6
Sec. 5309	0.0	1,246.2	59.6	66.8	69.3	22.8	1,464.8
Sec. 5307	0.0	2,639.9	563.0	241.1	274.5	120.4	3,839.0
Sec. 5311/5310	3.5	5.3	0.0	9.3	4.6	1.1	23.9
Miscellaneous Carryover	0.0	167.5	253.2	1.0	0.0	0.0	421.7
Subtotal	46.7	6,994.2	2,858.8	780.4	954.2	526.3	12,161.7
Total	\$1,055.0	\$76,009.1	\$20,498.6	\$12,095.0	\$7,996.2	\$2,696.3	\$120,351.3

Local sources comprise 75 percent of the overall baseline forecast, with state sources totaling 15 percent, and federal sources making up 10 percent (Figure 1). While the forecast falls well short of funding all of the needed transportation projects in the Region, it provides a benchmark from which additional funding could be identified for the list of RTP projects.

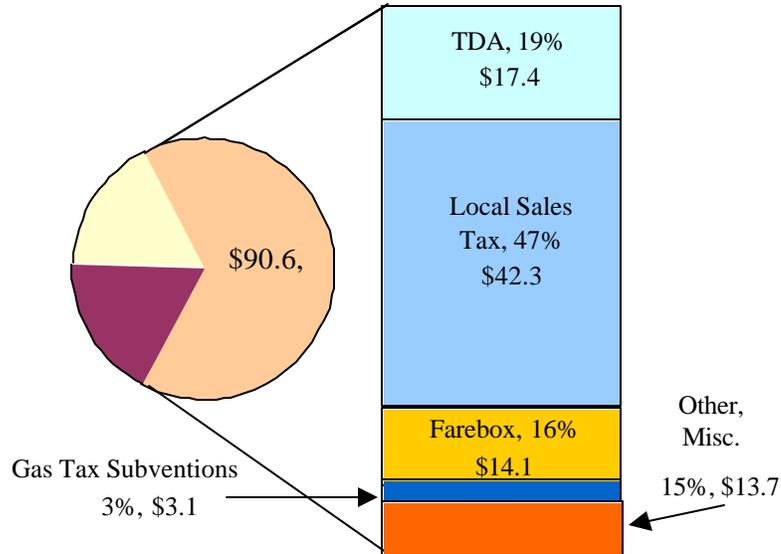
Figure 1
SCAG Regional Revenues
Years 2002-2030
Billions (in constant 2002 dollars)
\$120 Billion Total



In the breakdown of the local sources, dedicated transportation sales taxes make up the majority of revenues, roughly \$42 billion of the \$91 billion in local monies (Figure 2). Currently, five counties in the Region have local sales taxes dedicated for transportation. However, three counties will lose their measure sales taxes over the next 10 years due to the expiration provisions in the taxes. Recently, Riverside County passed a reauthorization initiative (Measure A) in November of 2002, ensuring that this stream of revenue would be dedicated to transportation from 2009 through 2039. Los Angeles County has a combined 1 percent permanent local sales tax for transportation. Farebox revenues and Transportation Development Act revenues primarily make up the rest of the local sources. The farebox revenues include forecasted fare revenues for the Metrolink system.

Figure 2

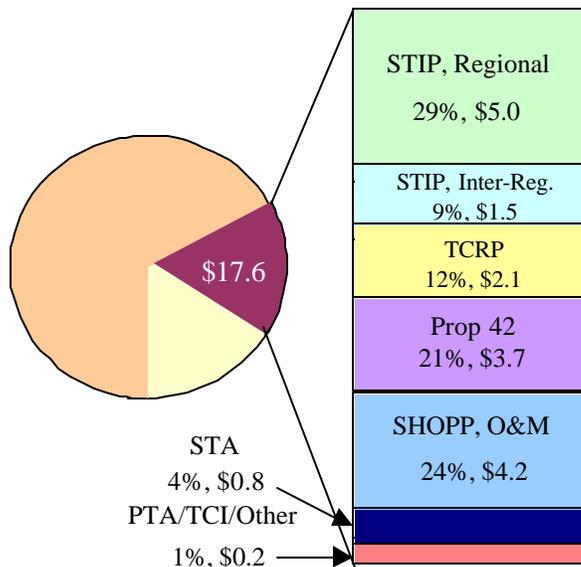
SCAG Regional Revenues, Local Sources, Billions



State revenue sources are composed mainly of the State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Plan (SHOPP), which are funded primarily by the state gasoline excise tax. These two sources make up 61 percent of the State funding portion in the revenue forecast (Figure 3). State funded transit programs and the Governor's Traffic Congestion Relief Plan/Proposition 42 make up the remaining state funds.

Figure 3

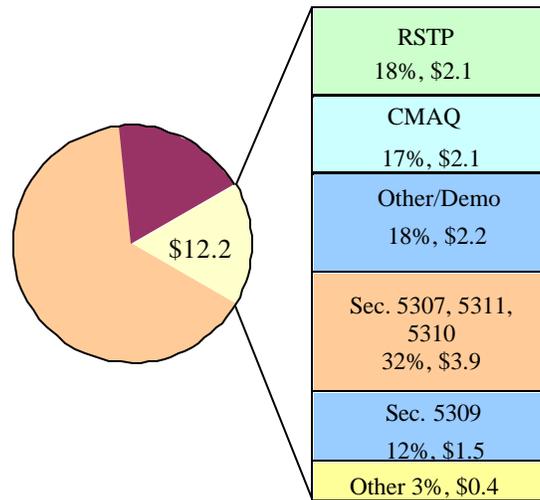
SCAG Regional Revenues, State Sources, Billions



Federal revenues are composed of several sources, including the Surface Transportation Program, Congestion Mitigation and Air Quality, and transit capital programs (Figure 4). The most flexible federal program in terms of the use of the revenues, the STP program, generates 18 percent, or \$2.1 billion, of the federal total of \$12.2 billion.

Figure 4

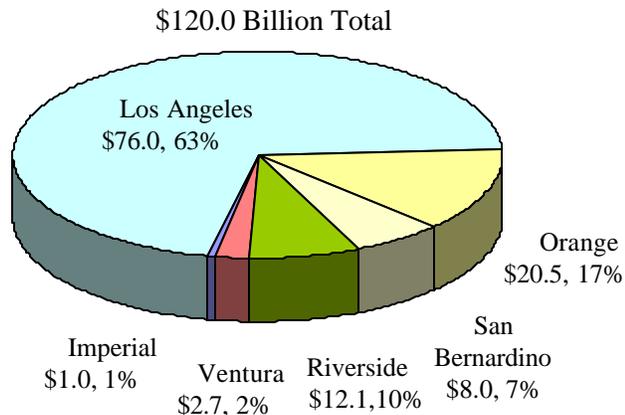
SCAG Regional Revenues, Federal Sources, Billions (\$2002)



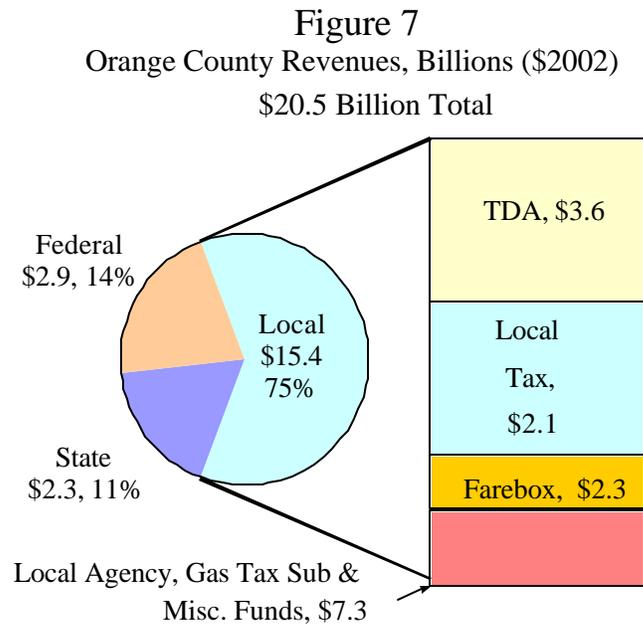
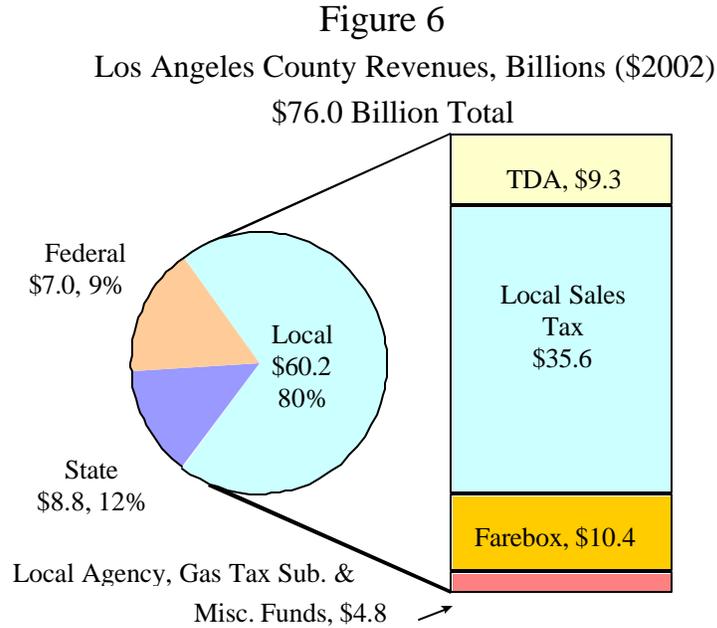
On a county-by-county basis, Los Angeles County's share of the overall revenues is about 63 percent, or about \$76.0 billion, followed by Orange County at 17 percent, or \$20.5 billion (Figure 5). San Bernardino County's share is 7 percent, Riverside County 10 percent, Ventura County 2 percent and Imperial County 1 percent of the Regional revenues.

Figure 5

SCAG Regional Revenues, County Shares, Billions (\$2002)



Figures 6 through 11 depict the breakdown of revenues by local, state and federal sources for each county, as well as a further breakdown of the largest source of revenues per county. Local sources in four of the six counties in the Region make up the greatest share of those counties' respective forecasted revenues. Local sources range from 20 percent of a county's revenues (Imperial) to 80 percent (Los Angeles). Local sales taxes contribute to the large local share of the county revenues. In addition, forecasted Metrolink fare revenues are distributed among the counties that support commuter rail service. Local revenues for Orange County include toll revenues raised by the Transportation Corridor Agencies. State revenue sources make up the majority of Imperial County forecasted transportation revenues.



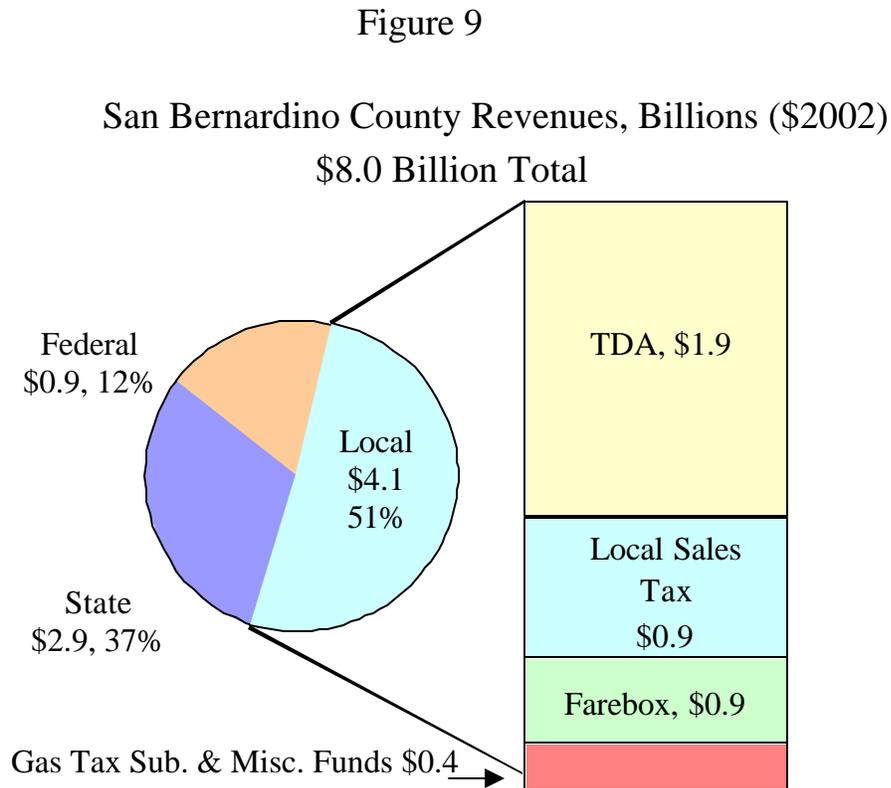
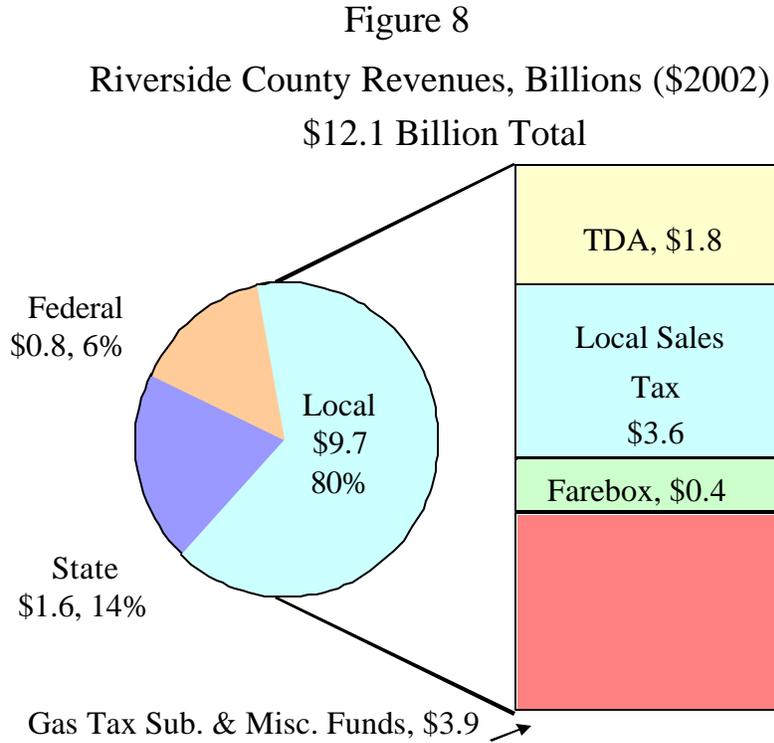


Figure 10

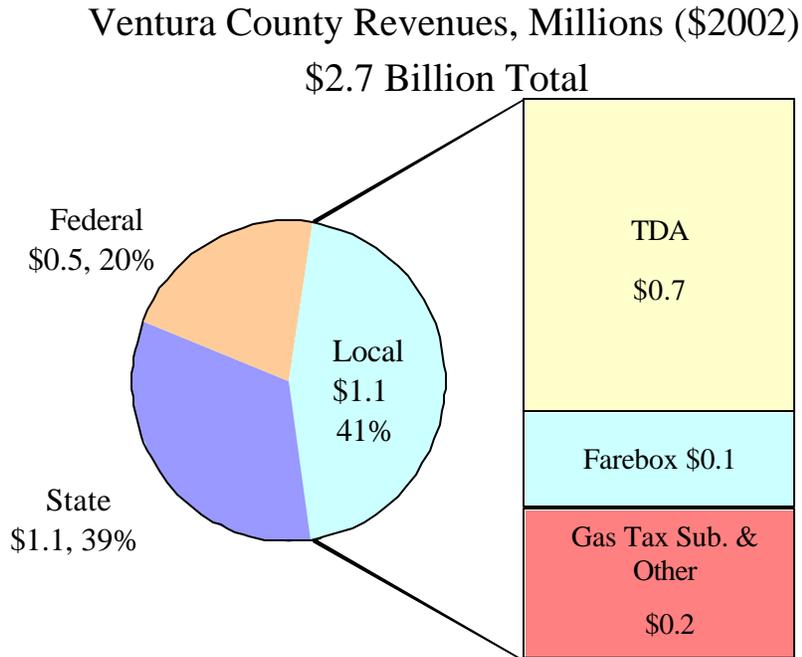
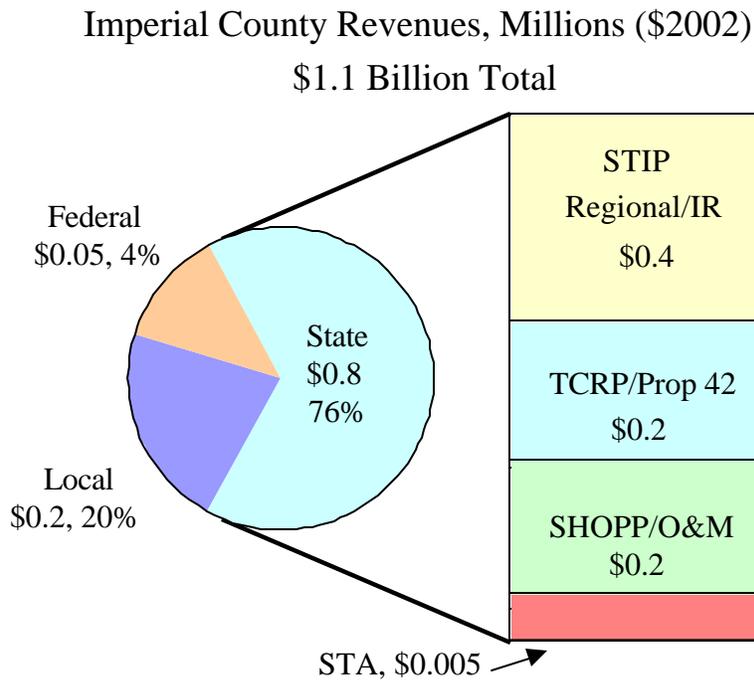


Figure 11



9. Committed Costs

The committed transportation program includes short-term committed capital projects and on-going short and long term operations and maintenance costs for the regional transportation system. The committed costs provide a comparison figure against the revenues to determine the funding available for additional projects proposed in the RTP.

There are three broad categories of baseline costs, including capital project costs, operations and maintenance costs, and debt service costs. A more detailed description of each is contained below:

- RTIP Capital and Other Capital Commitments – committed projects contained in short term capital improvement programs, including the RTIP; local measure tax projects; and Traffic Congestion Relief projects.
- O&M – operations and maintenance expenses for both transit and roadways. Roadway O&M is provided for highways and arterials that are part of the SCAG roadway network. The expenses include capital replacement and rehabilitation of transit systems as well as roadway rehabilitation projects during the RTP period. O&M costs for the Region's transportation system are assumed to include future maintenance and rehabilitation costs for the committed capital projects contained in the above categories. The implementation of the MTA consent decree is included in the O&M costs.
- Bonds – current and anticipated debt service payments by the CTC's during the RTP period. Debt service payments are typically for bonds secured by local sales tax revenues. A portion of TCA debt service that is assumed to be offset by user toll revenues for the Orange County public toll roads is also included in the committed costs.

While these categories are similar to the ones used in the past SCAG RTP, some new cost assumptions were developed, resulting in updates to the baseline costs. Below is a detailed description of the methodology to conduct the update to the baseline costs.

1. RTIP Capital and Other Capital Commitments

- Includes Regionally significant projects contained in the Regional Transportation Improvement Program (RTIP) for years 2003 through 2008. Projects include highway, arterial, transit and non-motorized modes that are part of the SCAG transportation network. The costs in each of the TIPs represent the capital program commitments made by the local transportation commissions, SCAG and Caltrans. Other capital commitments include priority transit and roadway projects programmed by local CTC's that are necessary for the improvement of the regional system.

2. Operations & Maintenance

- The forecast includes on-going O&M, capital replacement and rehabilitation costs for the current transportation system, including transit services and roadway systems in the Region.
- The forecast also includes future O&M, capital replacement and rehabilitation costs of transportation projects proposed in the RTIP. The inclusion of the associated O&M and future rehabilitation and replacement of these capital projects depicts a more accurate picture of the overall expenses incurred by the local transportation agencies. These anticipated costs, which primarily do not take effect until after 2010, are on top of those costs required for the current system. Future maintenance and rehabilitation requirements for RTIP projects are assumed in the forecast between 2010 and 2030.
- The full implementation of the MTA consent decree is assumed, and its long term O&M, rehabilitation and replacement implications are included in the baseline O&M cost for transit.

- A detailed O&M methodology is described in the following bullet points for transit and roadways.

Transit O&M

- O&M data is collected from the most recent short range transit plans of the major transit operators in the Region, or the long range financial plans of some CTC's. The short-range plans generally cover years 2002 through 2004 or 2006, while the long-range plans cover from years 2002 through 2025 or 2030.⁶
- Costs included in the forecast are for fixed route services (bus, urban rail, light rail and commuter rail), community shuttles, paratransit and dial-a-ride services.
- Growth rates in annual O&M costs through year 2030 for each of the transit operators are derived from the growth rates assumed in each operator's respective O&M cost forecast. O&M costs generally follow the rate of inflation in the range of 3 to 6 percent per year. However, where service adjustments are proposed in the short term plans, O&M subsequently increases above the range of inflation in some years, up to 20 percent, but then reverts back to around the inflation range. The short-range plans for Riverside Transit Agency and Omnitrans indicate considerable growth in service to serve the expanding population bases.
- The MTA's financial plan also accommodates anticipated growth in population. Future growth in the Los Angeles County transit network reflects areas of population growth and a resulting increase in demand for transit services. For example, the North County, which includes Palmdale and Lancaster, is expected to see significant growth that will require increasing the bus fleet from 65 to at least 180 vehicles by the year 2020.
- In addition to operations and maintenance, the costs to replace and rehabilitate the transit vehicles for both existing and near-term expansion services should be included throughout the life of the RTP. With an average extended life of 12 years per vehicle within a 29-year time horizon of the RTP, the capital replacement and rehabilitation estimates added to the overall baseline O&M costs. Using the fleet inventory contained in the operators' transit plans and the presumed expansion vehicles in the RTIP, an estimated vehicle replacement schedule was developed through 2030 for each operator. The assumed replacement cost per bus was assumed to be \$350,000 starting in the year 2002 and escalated by 3 percent annually. The O&M forecast provided in MTA's long range plan is assumed to incorporate the associated replacement costs. OCTA financial staff provided the estimated replacement schedule and costs through 2025 for its fleet.
- The financial plan for OCTA included an annual cost estimate for rehabilitation of transit facilities. An annual estimate of \$5 million per year was added to Orange County's O&M cost total.
- Operations cost for the proposed Orange County CenterLine light rail project is also included to account for the programmed service.
- MTA's long range financial plan is assumed to provide all of the costs associated with transit O&M, facilities maintenance, capital replacement and rehabilitation for its fleet (i.e. bus, light rail and urban rail) and for the municipal operators in the county.⁷ The MTA plan reflects the current and long-term

⁶ Major transit operators from which short range plans were collected include Omnitrans (San Bernardino County), Riverside Transit Agency (Riverside County), Sunline Transit Agency (Riverside County), and South Coast Area Transit (Ventura County). Long range financial plans were collected from MTA (for all LA County operators) and OCTA. Data on Imperial County transit was collected from Imperial County Public Works staff who administer the transit programs. The Southern California Regional Rail Authority provided cost data for the Metrolink commuter rail system.

⁷ MTA Financial Forecasting Model - February 2003 Long Range Transportation Plan, and May 2003 Short Range Transportation Plan.

transit operations, rehabilitation and replacement costs resulting from the implementation of the consent decree. Among the requirements contained in the consent decree is a substantial addition of new bus service through the year 2006, which greatly increases O&M costs. In addition, an Accelerated Bus Purchase Program required to update an aging transit fleet contribute to cost increases. However, the MTA plan assumes that transit cost savings measures, including reducing station dwell times and reducing revenue vehicle hours through coordinated service efficiencies, would reduce the projected operating deficit.

- The portion of MTA bus acquisition costs financed by the Governor's Traffic Congestion Relief Plan or through debt financing were subtracted to avoid double counting. These costs would be included in their respective baseline cost categories.
- O&M transit cost also includes the projected Metrolink operating, rehabilitation and renovation costs through the RTP period. Cost projections were collected from SCRRA documents. The O&M and rehabilitation/renovation costs were divided into county shares and included in the member counties' total for O&M. The percentage split of the costs among the counties were provided by SCRRA.
- Operations cost for the proposed San Jacinto commuter rail service is also included to account for the future service in Riverside County.

**Baseline Transit O&M, Rehabilitation &
Capital Replacement Costs
2002-2030
(Billions, 2002 dollars)**

Imperial	\$0.1
Los Angeles	45.5
Orange	5.7
Riverside	2.3
San Bernardino	3.1
Ventura	<u>1.0</u>
Total	\$57.7

Note: County totals include future Metrolink operating and rehabilitation/renovation expenditures through 2030.

Roadway O&M

- Includes O&M and rehabilitation costs for the SCAG-designated Regional highway and arterial network.
- Data is collected from several sources, including information from Caltrans Headquarters and the Caltrans Districts in the Region, the SCAG Highway Network Model, Assembly of Statistical Reports published annually by Caltrans, Inventory of Ten Year Funding Needs for California's Transportation Systems, developed in response to State Senate Resolution 8 (Burton, 1999), and some local CTC financial documents.
- Highway O&M costs are contained in the Ten-Year 2000 State Highway Operations and Protection Plan (SHOPP) which extends out to 2010, as well as the Four-Year 2002 SHOPP covering years 2003 through 2006. It is assumed that the highway project costs in the SHOPP program closely match the revenues provided by the SHOPP. Therefore, the growth in highway operations, maintenance and rehabilitation reflect the growth in SHOPP revenues in the forecast. Costs after

2010 grow by the historic fuel consumption rate forecasted by Caltrans - a little above 2 percent. The forecast uses LACMTA's long-term SHOPP forecasts for L.A. County after 2006, which assumes a constant cost level through 2030.

- For arterials and major collectors that are part of the SCAG highway network, the number of lane miles in each county was found using the SCAG Highway Network Model as well as lane mile and road classification data provided by Caltrans.
- An average O&M cost per lane mile of arterial and collector was calculated separately for each county in the Region. Data was contained in the SR 8 report on current O&M and rehabilitation expenditures for maintained street and road lane miles, as reported by each county. O&M cost for primary arterials and major collectors in the SCAG highway network was then calculated.
- An average rate for the California construction cost index (CCI) was derived to escalate the annual O&M roadway costs through 2030. The average CCI is based on historical rates collected by Caltrans for State highway construction projects. The average rate for the last 10 years is about 5 percent, which includes cyclical variations in construction costs.
- Roadway O&M for Orange County includes operations and administrative costs for the public toll roads operating in the county. Revenues and costs for the public toll roads are included since they are part of the existing SCAG highway network. The O&M costs are based on the latest annual financial disclosure statements produced by the Transportation Corridor Agencies, are assumed to be about \$36 million in 2002 and escalated by under 2 percent per year. Maintenance costs of the roadways paid for by Caltrans are not included in this total.
- Additional roadway O&M was added after 2010 for each county to account for the assumption that new roadway projects contained in the RTIP will also incur operating and maintenance expenses as well as rehabilitation during the later years of the RTP. Since new roadway projects are included in the RTIP costs, the associated O&M and rehabilitation for these capital projects should be included in the forecast to depict a more accurate picture of the overall expenses incurred by the local transportation agencies in the Region. The additional O&M followed the same cost methodology and growth rates as the arterials costing described in the earlier bullets. Rehabilitation costs are assumed to take effect every five years beginning in 2016 using an assumed cost of \$100,000 per lane mile, growing annually by 5 percent through 2030.

**Baseline Roadway O&M and
Rehabilitation Costs
2002-2030**

(Billions, 2002 dollars)

Imperial	\$0.3
Los Angeles	8.3
Orange	3.1
Riverside	1.9
San Bernardino	3.9
Ventura	<u>0.9</u>
Total	\$18.3

Note: Roadway costs are for the SCAG Highway Network, which includes primary arterials and collectors.

3. Bonds

- Updated annual debt service payment data was collected from each local transportation commission. Data was contained in either internal financial documents or long range financial plans. The bonds are typically debt against the local Measure sales tax revenues.
- The debt service payments include both the principal and interest payments.
- Debt service payments are projected through the years that the local sales taxes are in effect. The payments end when the sales taxes expire for each “self help” county, namely between 2009 and 2011, except for Los Angeles. Los Angeles County’s debt service projections are continuous through 2030 since the county has two permanent local transportation sales taxes. Debt service for Riverside County only reflects the County’s existing local sales tax, and not the extension of the tax. Debt service for the tax extension is currently unknown.
- Debt service payments for Los Angeles, Orange, Riverside and San Bernardino Counties include allocations for anticipated future debt issues. The estimated future debt payments were based on the long range financial plans of MTA and OCTA, and data provided by the Chief Financial Officers at the Riverside County Transportation Commission and San Bernardino Associated Governments.
- Bond costs for transit bus acquisition in Los Angeles County are included in this category and are subtracted from the county’s O&M baseline category to avoid double counting.
- Portions of annual debt payments by the Transportation Corridor Agencies are included for the three public toll roads in Orange County. Revenues and costs for the public toll roads are included since they are part of the existing SCAG highway network. However, there is the assumption that the toll road user revenues should offset the toll road costs reflected in the RTP, to maintain revenue neutrality. Therefore, the portion of debt service included in the RTP baseline cost for Orange County equals the forecasted user toll revenues minus an annual amount for operations costs. The full debt service requirements of the TCA are not included. The toll revenues in the forecast only include user tolls and do not include development impact fees, interest income, or loans provided by the federal government. It is assumed that the toll revenues included in the forecast offset the operations and bond costs, essentially not impacting the Regional financial checkbook.

All baseline costs from 2002 through 2030 are adjusted to constant 2002 dollars using the same de-escalation factor as the revenue forecast, which is 3 percent (adopted rate). This is to ensure consistency between the adjustment of the forecast for both revenues and costs, and enable a level analysis.

The following table shows the draft baseline costs by category on a per county basis for the RTP.

Table 8

2004 RTP Committed Costs By Category <i>Billions (2002 dollars)</i>				
	RTIP Capital (Baseline & Tier 2) (1)	O&M (2&3) Transit & Roadways	Bonds (4)	Total
Imperial	\$0.40	\$0.40	\$0.0	\$0.80
Los Angeles	13.65	53.81	11.93	79.39
Orange	3.68	8.77	3.35	15.80
Riverside	1.57	4.22	0.24	6.03
San Bernardino	3.62	6.98	0.32	10.92
Ventura	0.65	1.83	0.0	2.48
Total	\$23.56	\$76.02	\$15.84	\$115.42
Notes:				
(1) Includes 2002 RTIP				
(2) Includes O&M, capital replacement and rehabilitation. Forecasted O&M and capital replacement is also assumed for new capital projects in the RTIP. Also includes Metrolink O&M and rehabilitation/renovation costs.				
(3) Includes SHOPP, Caltrans O&M and arterials maintenance in the SCAG highway network.				
(4) Primarily debt bonded against Measure tax revenues. Includes anticipated new debt service issues during RTP period. Also includes debt bonded against TCA toll revenues in Orange County.				
All costs are shown in constant 2002dollars.				

Transportation Mode Split of Committed Costs

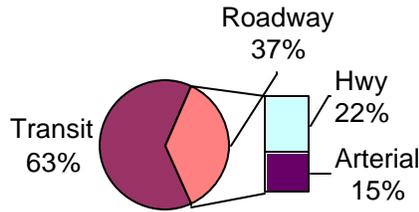
Based on the 2004 RTP's committed cost estimate of \$115 billion, the following charts characterize the transportation mode split for the Region. As figure 12 indicates, about 63 percent of the Region's committed costs are transit-related expenditures while an estimated 37 percent represent roadway costs.⁸ Roadways are further divided into highway and arterial expenditures. Highways comprise approximately 22 percent of the committed costs while arterial expenditures account for about 15 percent⁹. Figure 13 provides a further breakdown of the mode split on a county by county level.

⁸ Transit related expenditures for the Region is mostly attributable to Los Angeles County. Moreover, transit expenditures in Los Angeles County is primarily due to LACMTA's capital and operating programs.

⁹ Local streets and roads are not included in this analysis. Roadway expenditures as outlined here, consist of highway and major arterial costs that come through the Regional planning process.

Figure 12

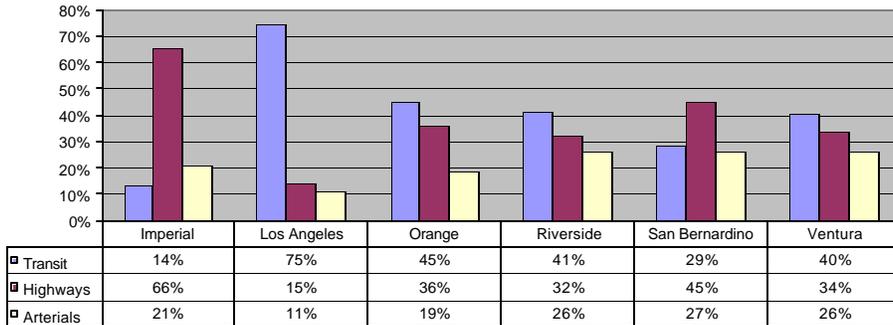
Mode Split of Public Cost for Baseline & Tier 2 Commitments (\$115 B)



Note: ITS, TDM & Non-Motorized Category constitutes less than 1% of total costs and are not reflected here.

Figure 13

Mode Split of Public Cost for Baseline & Tier 2 (\$115 B) by County



Transportation Mode Split of Total Cost (Baseline, Tier 2 & Plan)

Additionally, the following figure 14 depicts the Regional mode split of public expenditures for new RTP Projects. Figure 15 combines both baseline and new RTP projects. Note: highway category includes truck lanes and arterial category includes grade crossings.

Figure 14

Mode Split of Public Cost for New RTP Projects (\$36 B)

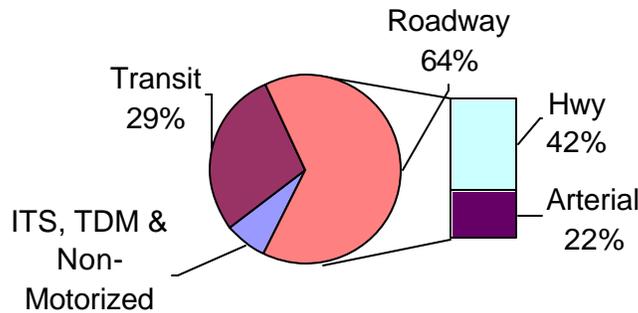


Figure 15

Regionwide Mode Split of Total Public Costs (Baseline, Tier 2 & Plan, \$151 B)

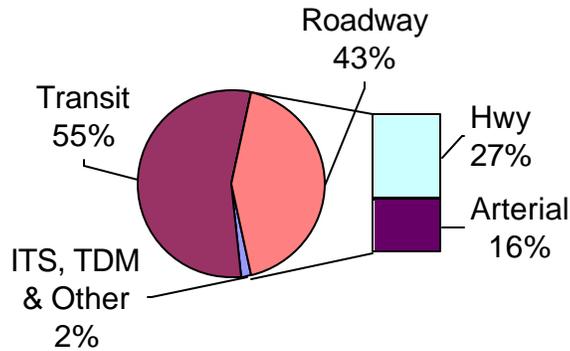
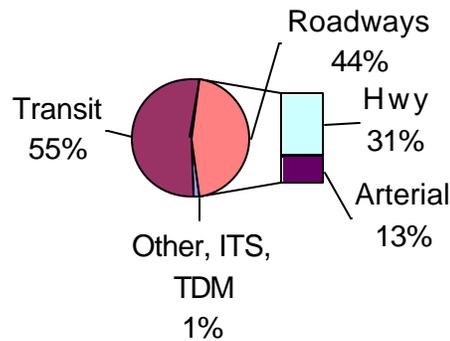


Figure 16

**Regionwide Mode Split of Total Public & Private Costs
(Baseline, Tier 2, & Plan, \$213 B)**



10. Funding Shortfall

To assess the Region’s finances, the baseline revenues were compared to committed expenditures in the form of a “Regional checkbook.” As the “Net Balance” column in table 9 below illustrates, the Region will have a closely balanced revenue-to-cost forecast to operate, maintain and rehabilitate the current transportation system, as well as build short term committed projects, over the 2004 RTP period. However, the SCAG Region will require additional public revenues (an estimated \$36 billion) to fund the public share of long term proposed RTP project costs. SCAG anticipates that the \$36 billion in public funds would be derived from maintaining the Region’s traditional transportation revenue sources, which might otherwise be lost in the years to come. Additionally, SCAG anticipates the use of innovative public-private partnership financing structures to further develop large-scale multi-jurisdictional RTP projects (see section on private funding initiatives in the funding strategy section for more information).

Table 9

2004 RTP Regional Checkbook by County					
<i>Billions (2002 dollars)</i>					
County	Baseline Revenues	Committed Costs (Baseline & Tier 2)	Net Balance Available for Add'l RTP Projects	Public Funding Strategy	Public Funding Available for the 2004 RTP Investments
Imperial	\$1.1	\$0.8	\$0.3	\$0.3	\$0.6
Los Angeles	\$76.0	\$79.4	(\$3.4)	\$15.4	\$12.0
Orange	\$20.5	\$15.8	\$4.7	\$3.0	\$7.7
Riverside	\$12.1	\$6.0	\$6.1	\$2.6	\$8.7
San Bernardino	\$8.0	\$10.9	(\$2.9)	\$8.8	\$5.8
Ventura	\$2.7	\$2.5	\$0.2	\$1.1	\$1.3
Total	\$120.4	\$115.4	\$5.0	\$31.2	\$36.1
Notes:					
1) Numbers may not add due to rounding.					
2) Revenues and Costs are in constant 2002 dollars, billions.					
3) The Region's public funding strategy does not assume the extension of Measure M in Orange County or the imposition of a local transportation sales tax in Ventura County.					

11. Guiding Principles to Formulate the SCAG Region's Funding Strategy

In developing SCAG's funding strategy, a set of guiding principles assisted the Finance Task Force. The adopted principles are as follows:

- ◆ Maximize available resources
- ◆ Ensure revenue is adequate to maintain conformity
- ◆ Enhance regional and local choice in the selection of projects for funding
- ◆ Identify revenue sources that are reasonable and consistent with current funding practices and long-term trends in transportation finance

12. Alternative Funding Options Reviewed

Within the context of the guiding principles, SCAG's committees discussed the adequacy and feasibility of revenue raising options available to address the Region's potential funding shortfall. Among the options considered included road impact fees and fees based on miles of travel. Although these options would generate varying degrees of revenues for the Region, many of SCAG's policy makers did not favor their implementation, citing various technical and political obstacles. This section provides analyses of the funding options that were reviewed. Additionally, this section focuses on those funding options incorporated into the 2004 RTP including funding components that make up SCAG's adopted public and private funding strategies.

Fees Based on Miles of Travel and Road Impact

In basic terms, fees based on miles of travel assess the number of miles driven multiplied by a fee per mile. These kinds of fees remain an option in alternative financing for transportation. Several issues, however, continue to be debated in a public forum. Social equity concerns, for example, remain a topic of discussion.

Certainly, there are possible methods for structuring miles traveled fees to achieve some form of equity among varying income levels. They include having an allowance for a certain number of miles to be driven free before a fee is imposed, instituting a progressive fee rate structure or a combination of both. Additionally, fees could be graduated based on cost responsibility (damage of roads), which would take into consideration vehicle size and weight, value, emissions, or other pertinent characteristics.

Although such proposed methods could possibly assist lower-income residents living in outlying suburbs who must travel a long distance to work, and promote a more equitable assessment based on cost responsibility, SCAG recognized both the political challenges and the difficulties associated with implementing such a user fee, including methods to track and collect the fee.

Toll Roads

SCAG also considered the benefits and costs of tolling facilities throughout the Region. Under selected conditions a facility, especially a new highway, could be financed by tolls. A project selected to be funded entirely from this mechanism would be removed from competing for broader based revenues.

In recognizing the benefits of such a user facility, the 1998 RTP identified toll road financing as a mechanism to add highway capacity. With diminishing traditional state and federal funding, decisions were made to utilize toll roads supported by user fees, as a way to construct needed highway improvements. Currently there are several toll road facilities in operation in Orange County, including the SR 91 Express Lanes (which traverses through parts of Riverside County as well) and the San Joaquin Hills, Eastern and Foothill Corridors.

Different institutional arrangements exist for the SR 91 Express Lanes and the other toll roads. The San Joaquin Hills and Foothill/Eastern public toll roads are guided by two separate joint power agencies made up of elected officials from Orange County and adjacent cities. Each agency operates independently and is financed separately. Ownership of the public toll roads was turned over to Caltrans, which is responsible for maintenance. The toll roads will remain until all municipal construction bonds are paid off; at which point they will be converted to freeways.

The 10-mile SR 91 Express Lanes, on the other hand, was the first privately financed toll road in the United States in more than 50 years. In January 2003, however, OCTA purchased the SR_91 Express Lanes for \$207.5 million. It is the first fully automated toll facility in the world. The toll road employs variable congestion pricing in which the tolls are higher during peak commute times going westbound in the morning and eastbound in the afternoon. Customers are able to select from three different account types based on planned frequency of usage of the toll road.

Indexing the State Gas Tax or Wholesale Gasoline Prices

The concept of indexing can be described as tying the revenue generating ability of a funding source to the cyclical movement of the general economy. Indexing in this case means adjusting a tax (i.e. gas tax) by an appropriate market indicator, such as the Consumer Price Index (CPI) or Construction Cost Index (CCI). By indexing the gas tax or gasoline prices, for example, a relationship is built between the growth in fuel tax revenues and inflation. The underlying objective of these strategies is to maintain a rate of growth in transportation revenues that reflects the increases in project costs over time. The current

structure of the gas tax is linked more to consumption of gasoline versus linking the tax to project expenses or market value of the fuel.

The strategy of indexing the wholesale price of gas would be to create a tax that is indexed and then levied on the crude oil prices, refinery margin and dealer mark-ups. This is essentially the wholesale price of gasoline. All existing taxes are excluded from the wholesale price. The California Energy Commission estimated that, on average in the year 2000, the refinery margin, which includes production costs, marketing and profits, is about 63 percent of the crude oil price per gallon. Dealer margins are estimated to be about 10 percent of the crude oil price per gallon.

Issues Associated with Indexing

Economic Context

When addressing issues of indexing and increasing the gas tax, some thought should be given to the context in which this policy might operate. In general, higher inflation and high gas prices are more favorable for an indexing strategy. For example, when the growth in the index is tied to the CPI, high inflation from year to year may mean higher adjustments to the index and higher revenues.

Generally, low inflation and low gas prices are more favorable for a cent per gallon strategy. If an index is used in these circumstances it is likely that revenues would be lower. Under this condition, increasing the cents per gallon tax may result in a better revenue stream.

Determination of the Base

Determining the base is quite important. A higher base tax rate against which the CPI or CCI is applied yields higher revenues. For example, indexing the per gallon tax by the CPI will yield higher revenues when the tax base is 18 cents per gallon as opposed to being at a lesser rate. Similarly, if the base year selected is one with higher revenues for indexing the wholesale price of gasoline, the base tax rate would be relatively higher than that in another year with lower revenues.

Escalation Methodology

The escalation methodology is an important decision as well. Whether the CPI is selected as the index to use or the CCI, it would result in a marginally different escalation rate.

Creating Caps or Floors

Unrestrained indexing may result in an unacceptable loss of revenues or an unacceptable gain in revenues because of extremes associated with the factors used to create the index. In states that have used indexing, there is a cap on the amount of revenue generated to prevent excessive gas taxes that would create political problems. A floor is often created to ensure that revenues, as a result of the index, do not fall below a level that would result in an unacceptable curtailment of transportation programs funded by the revenues derived from the index.

Indexing Alternatives

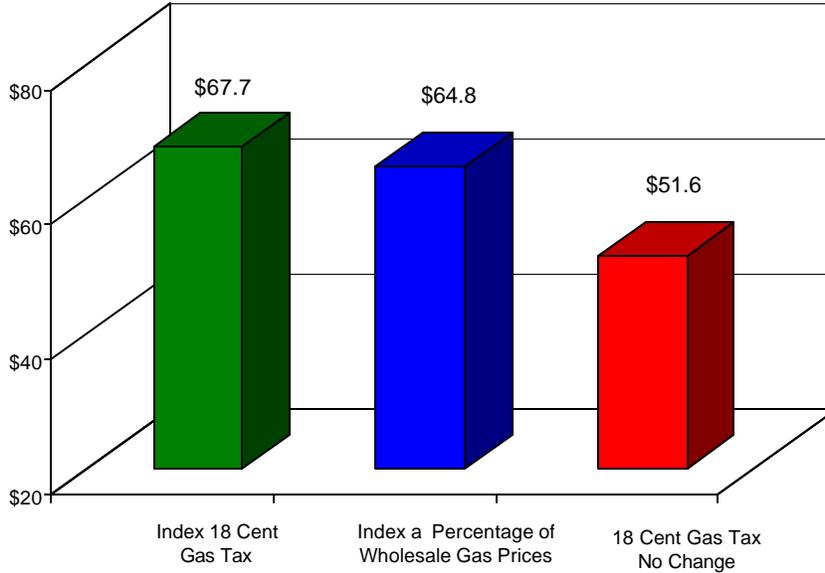
Two concepts of indexing were discussed as potential alternative user fees. One strategy included indexing the current 18-cent per gallon gas tax by the Consumer Price Index (CPI) annually, while a second strategy involved indexing a percentage of the wholesale price of gasoline by the CPI annually.

The following table and chart compares the revenues generated statewide from each of the two alternative concepts of indexing. In addition, a forecast of the existing per gallon gas tax with no increases is shown for comparison against the alternatives. As shown, by using a base year of 1999, indexing the gas tax and the wholesale price of gasoline would generate comparable revenues while being above the revenues that would be raised by the current excise tax. However, because the wholesale price of gasoline would be tied to crude oil market fluctuations, the 20-year total could vary significantly.

Table 10

Comparison Between Alternative Indexing Strategies Statewide Revenues, 1999-2020 (in thousands)							
Inflation	Year	Indexed by CPI (Inflation Adjusted from \$.18)		Index the Wholesale Price of Gas by CPI (Adjust % Tax on Crude Oil, Refinery and Dealer Margins)		No Change in Current Excise Tax	
		Tax Incre.	Revenue	Tax Incre.	Revenue	Tax Incre.	Revenue
2.27%	1999	0.180	\$ 2,495,880	20.91%	\$ 2,495,932	0.18	\$ 2,495,880
2.34%	2000	0.184	2,611,086	21.40%	2,580,944	0.18	2,551,500
2.69%	2001	0.189	2,725,441	21.97%	2,692,321	0.18	2,593,440
2.11%	2002	0.193	2,839,880	22.44%	2,805,369	0.18	2,646,540
2.40%	2003	0.198	2,973,096	22.98%	2,935,156	0.18	2,705,760
2.40%	2004	0.203	3,113,852	23.53%	3,070,325	0.18	2,767,500
2.45%	2005	0.207	3,263,117	24.10%	3,215,518	0.18	2,830,860
2.39%	2006	0.212	3,417,147	24.68%	3,369,381	0.18	2,895,300
2.44%	2007	0.218	3,579,143	25.28%	3,533,469	0.18	2,960,460
2.43%	2008	0.223	3,751,377	25.89%	3,708,072	0.18	3,029,400
2.42%	2009	0.228	3,930,196	26.52%	3,892,004	0.18	3,098,880
2.46%	2010	0.234	4,121,181	27.17%	4,088,657	0.18	3,171,600
2.44%	2011	0.240	4,309,292	27.83%	4,288,399	0.18	3,237,300
2.43%	2012	0.245	4,497,355	28.51%	4,486,498	0.18	3,298,455
2.46%	2013	0.251	4,693,395	29.21%	4,693,493	0.18	3,359,610
2.44%	2014	0.258	4,895,586	29.93%	4,910,586	0.18	3,420,765
2.47%	2015	0.264	5,106,121	30.66%	5,137,306	0.18	3,481,920
2.49%	2016	0.271	5,330,428	31.43%	5,379,205	0.18	3,546,540
2.47%	2017	0.277	5,561,619	32.20%	5,629,436	0.18	3,611,160
2.45%	2018	0.284	5,799,809	32.99%	5,888,181	0.18	3,675,780
2.47%	2019	0.291	6,047,353	33.81%	6,157,957	0.18	3,740,400
2.48%	2020	0.298	6,304,485	34.65%	6,439,093	0.18	3,805,020
	Total		\$67,653,573		\$64,786,703		\$51,595,830

Figure 17
Comparison of Statewide Revenue Totals from
Alternative Indexing Strategies, 1999-2020
In Billions



13. Federal Recognition of Opportunities for Innovative Financing to Accelerate Project Delivery

In addition to alternative funding methods discussed above, several federal programs for innovative financing were taken into consideration for the SCAG Region. The federal government has recognized the need to supplement the traditional means of transportation funding by introducing several innovative financing vehicles in TEA-21. To provide a framework for the following discussion on federal innovative financing programs, the following discussion begins by defining “program funding” and “project financing.”

Program Funding

In broad terms, program funding relies on predictable streams of revenue from one or more taxes, e.g., the gas tax or a local sales tax, to fund a project. The success of transportation development has been government’s ability to create predictable streams of revenue available for the construction, maintenance and operations of transportation facilities and services. In the case of the State of California, three revenue streams have been developed.

The first was the state gas tax that has been available for highway and local street and road purposes since 1922 and has enjoyed constitutional protection since 1938¹⁰. Historically, the gas tax revenues have been used to finance projects on a pay-as-you go basis as opposed to issuing debt.

The second was the Transportation Development Act (TDA) revenues, enacted in 1971 by the California State Legislature. The TDA set aside a ¼ percent of the local sales tax in each county for public mass transportation. In Los Angeles County, this revenue is almost exclusively used to subsidize transit services provided by MTA and the municipal operators. This stream of revenue created by TDA ensures that California has a basic level of transit services in both its urban and rural communities.

A third stream of revenue was created during the 1980's to fund transportation improvements. Local sales taxes dedicated to finance transportation investments gained voter approval at the county level throughout California. In Los Angeles County, two ½ percent sales taxes secured voter approval for the purpose of supporting transit operations and transit construction. Los Angeles' sales tax has become the foundation for the rail construction program.

Consequences of Program Funding

The program strategy of funding created relatively stable and predictable revenue streams, which had several important consequences. The first was the creation of transportation systems. These systems, especially the roadway/highway network, has created unprecedented mobility supported by a dedicated revenue stream.

At the federal level, a predictable stream of revenue was established for the Interstate Highway program with the creation of the Highway Trust Fund in the 1950's. This revenue stream in combination with state revenues supported the construction of the 44,000-mile Interstate Highway system. In recent years this program has evolved into one that emphasizes reconstruction of a largely built out Interstate Highway system. Since the 1970's the Federal Highway Trust Fund has also included revenues for cities and counties to improve their local systems of arterial streets.

At the local level, the Transportation Development Act sustained existing transit systems and allowed for the creation of transit operations. The local sales tax programs, such as Propositions A and C in Los Angeles County, created predictable revenue streams that supported the construction of Blue, Green and Red Lines. The continuous availability of dedicated revenue also supported the creation of large permanent agencies, e.g., Caltrans, and LACMTA.

Project Financing

With revenue from ongoing funding sources increasingly being committed to sustain the existing transportation system, attention is being given in the transportation community to project specific financing as a means to fund new transportation facilities.

Project financing in its purest form relies upon a stream of revenue generated by the project against which debt can be issued. A toll road is the best transportation example of this sort of funding. Realistically, many projects, however, don't have a strong independent flow of revenue that is sufficient to finance the entire project. In this case, a variety of strategies are used to take advantage of the limited project cash flow in combination with public funds to finance a project. Moreover, if the project is operated through a service contract by non-governmental, private entity, an additional source of funding may be found. Another important feature of project financing is the sharing of risk between the entity sponsoring the project, the developers of the project, the project operators and the financial interests. This is

¹⁰ The emergence of urban rail transit as viable alternative to highway construction resulted in the state constitution being amended in 1974 to permit gas tax funds to be used for the construction of rail transit facilities.

important as an inducement to attract financing. These complex financing relationships are the essence of public-private partnerships.

In addition to the financial relationships, public-private partnerships often result in a different structure for project delivery, operations and maintenance. Often the investors in the project insist on a format outside the traditional governmental format in order to ensure that schedules are met and costs and risk are managed.

The SCAG Region has been the site of several important project-financing efforts. These include the Alameda Corridor Project, the San Joaquin Hills, the Foothill and the Eastern toll roads in Orange County and the SR 91.

SCAG's proposed user-fee backed special purpose facilities, rail capacity improvement program, and the Maglev project will also serve as examples of project financing in the Region. SCAG assumes user-fee generated revenue streams to support the development of these large-scale, multi-county transportation projects. The financing structure would include the use of lower cost financing instruments including tax exempt revenue bonds, federal credit enhancement tools like TIFIA loans, and potentially the use of federal tax credit bonds. The rail capacity improvement program, for example, would rely upon taking advantage of the interest rate differential between private sector financial instruments and tax-credit bonds – a public financing mechanism that would substitute federal tax credits for interest payments. Unlike traditional debt financing, bond investors do not earn the periodic interest income paid by issuers. Instead, buyers of tax-credit bonds earn the ability to claim federal tax credits which are designed to be in lieu of interest payments. The rail capacity improvement program would rely on federal legislation authorizing the use of federal tax credit bonds.

SCAG also assumes the use of innovative public-private partnership for its high speed MAGLEV project. While the cost of the system is estimated to total about \$29 billion for the entire regional system through the year 2030 (in 2002 \$), SCAG anticipates that the majority of funds to offset the expenses would be from private sources. The project would be supported by a combination of revenue-backed bonds and federal loans – in particular, TIFIA loans (see next section for discussion). Assuming relatively high ridership levels, the project is expected to generate a positive cash flow to cover any outstanding debt service in addition to operating expenses.

14. Examples of Innovative Financing

Through the re-authorization of federal transportation legislation, mechanisms to leverage federal transportation funds have been enacted. The two most recent are Grant Anticipation Revenue Vehicles (GARVEE) and the Transportation Finance and Innovation Act of 1998 (TIFIA). Each of these alternatives provides certain funding opportunities and entails certain risks. GARVEE instruments are essentially revenue anticipation bonds being used by states to accelerate project construction. The debt is retired from future federal funds. The structure of risk and debt financing will differ from state to state and project to project.

Grant Anticipation Revenue Vehicles

Grant Anticipation Revenue Vehicles (GARVEEs) offer an advantage in that it permits the issuer to pledge future federal highway funds to repay investors on the debt service. Basically, GARVEEs allow an issuer to promise investors that federal funds will be available in the future to repay the tax-exempt debt.

Prior to 1995, states could use their federal highway grants to repay only the principal component of the debt service. This was inconsistent with the provisions of debt retirement since most payment in the early years goes to interest. The National Highway System Designation Act of 1995 changed the rule to allow all associated debt costs to be reimbursable by federal funds. These debt costs include interest, principal,

insurance, and other costs associated with the sale of bonds. Subsequently, the rule change was permanently enacted into law.

Several states have utilized this tool in the past few years, including Massachusetts, Ohio, New Mexico and New Jersey. One important criterion for the success of GARVEE bonds, as perceived by bond rating agencies, is the time schedule of repayment. This leads into the types of GARVEE bonds that could be structured, namely short-term GARVEEs and long-term GARVEEs.

Short-term GARVEEs are defined as bonds backed by future federal funds that are currently authorized. This reduces a degree of risk to the investor although annual appropriations can still be uncertain. Long-term GARVEE bonds are backed by federal funds that are beyond current authorizations. These present higher levels of risk due to uncertainty with reauthorization.

In California, Senate Pro-Tempore John Burton introduced Senate Bill 928 relating to GARVEEs. The components of the bill, which became California law in October 1999 (Chapter 862 of 1999), are as follows:

- Would authorize the California Transportation Commission (CTC), in cooperation with Caltrans and the Regional transportation planning agencies, to establish guidelines for eligibility for GARVEE bond funding allocations;
- Would authorize the CTC, through the State Treasurer to issue GARVEE bonds to be disbursed by Caltrans;
- Would limit GARVEE bond allocations to any county to 50 percent of that county's share of expected federal highway revenues for ten years following the allocation;
- Would count all cost overruns and financial costs against that county's STIP share in the year that the federal revenues would be used to pay off the project; and
- Would require the CTC to dedicate and pledge future federal transportation funds to pay the interest, principal, and premium on the bonds on any outstanding GARVEE bonds in the State.

As with the rest of the state, the SCAG Region could potentially benefit from this program by being able to pledge future federal funds to build today's needed infrastructure.

Transportation Infrastructure Finance and Innovation Act

The Transportation Infrastructure Finance and Innovation Act (TIFIA) is a limited five-year pilot program that is designed to address the funding shortfall for large new transportation investments by providing a variety of credit enhancement tools to project sponsors. The Act seeks to maximize and leverage limited federal resources by attracting private sector and non-federal funds.

TIFIA establishes a far more complex funding opportunities. Under this act, USDOT may provide direct federal loans, federal loan guarantees and standby lines of credit to large projects. Federal funds cannot be pledged to secure the debt. Other revenue streams, including private funds, dedicated to the projects are considered "dedicated revenue streams". Essentially, there is an opportunity with TIFIA to take advantage of private investment in a project.

Secured loans are basically direct loans with flexible repayment schedules that would match the project's revenue stream. Loan guarantees would provide "full faith and credit" guarantees by the federal government and lower the financial risk to investors by allowing federal funds to backup the repayment of the loan. This method also would allow flexible repayment schedules. Federal standby lines of credit are essentially secondary sources of funds that could be used to make debt payments if the primary source goes into default.

The U.S. Department of Transportation is responsible for administering the program and selecting projects. Below are the eligibility requirements for a project to qualify:

- Be an eligible surface transportation project as defined under the federal transportation code;
- Be included in a state transportation plan and the approved State Transportation Improvement Program;
- Cost at least \$100 million (\$30 million for Intelligent Transportation System projects) or 50 percent of the state's most recent apportionment of federal-aid highway funds, whichever is less; and
- Be supported by user charges or other non-federal dedicated revenue sources.

Other requirements include calling for the project sponsor to provide a preliminary bond rating opinion letter from a recognized bond agency. Projects that meet the requirements would then be selected based on their ability to generate economic benefits, support international commerce, or otherwise enhance the national transportation system.

The federal credit program would complement the State Infrastructure Bank program (see discussion on SIBs later in this section) by directing resources to transportation investments of national significance such as inter-modal freight transfer facilities, highways, inter-city bus and rail projects and other projects with national benefits.

When authorized by the Congress, it was anticipated that TIFIA would provide up to \$10.6 billion in credit assistance for transportation projects during TEA-21's funding period (1999 through 2003) from a total of \$530 million in contract authority (essentially provided to cover the subsidy cost and any related administrative expenses). Because TIFIA assistance cannot be greater than 33 percent of total project costs, it was projected that total investment over the TEA-21 period would exceed \$30 billion subject to the types of projects receiving credit assistance and other sources of funding supporting the completion of selected projects.

For the SCAG Region, this program could help with the financing of selected large or complex facilities perceived to be significant not only to the Region, but to the country as a whole. As discussed previously, it is anticipated that SCAG would utilize TIFIA loans as one of several financing instruments to support the proposed special purpose facility project and the Maglev project. The project's preliminary financial plan includes a combination of tax-exempt revenue bonds and TIFIA loans for both transportation facilities.

To date, however, the TIFIA program has not met the initial expectations. As of March 2002, 11 projects were selected – an estimated \$15.4 billion in transportation investment. TIFIA commitments total about \$3.6 billion in credit assistance at a subsidy cost of about \$190 million.¹¹

Although the TIFIA program has the potential to significantly enhance the funding of surface transportation projects, currently the program's prerequisites for eligibility in concert with the application and review process, slow the pace of project approvals and limit access to few selected projects.

Such prerequisites are especially challenging for the projects that rely upon user-based revenues. In order to meet the TIFIA program's statutory prerequisites for eligibility, many of these projects require pre-TIFIA equity infusion that is not readily available due to the inherent risks involved in the developmental phase. These limitations must be addressed in the reauthorization of TEA-21 to ensure the success of the TIFIA program in facilitating project implementation.

¹¹ US Department of Transportation, TIFIA Report to Congress, June 2002.

State Infrastructure Bank

TEA-21 established a new State Infrastructure Bank (SIB) pilot program under which four states, including California, are able to enter into cooperative agreements with the U.S. DOT to set up infrastructure revolving funds that are capitalized with federal transportation funds authorized between fiscal years 1998 and 2003. The funding sources that can be used include the National Highway System and the Surface Transportation Program. The California SIB can now provide direct loans, rather than only credit enhancement programs like loan guarantees.

Projects that are eligible for SIB assistance include highway and transit capital projects. This program provides another venue for leveraging federal resources by attracting other public funds and private sector resources.

The original SIB program was conceived from the National Highway System Designation Act of 1995. The first SIB program in California was created as a vehicle to enhance the credit worthiness of an agency sponsoring a project by providing credit mechanisms that could strengthen the debt financing ability of the agency. Under TEA-21, actual federal dollars could now be deposited into the bank.

The original SIB program also required separate transit and highway accounts. Under the SIB program authorized under TEA-21, there is no requirement to keep separate accounts, which could mean that both transit and highway projects would compete for the same revolving funds.

In California, the Transportation Finance Bank (TFB) is the revolving loan program implemented by the California Transportation Commission (CTC) and Caltrans to provide short-term financing for accelerating the delivery of transportation projects. Highway construction projects must be eligible for assistance under Title 23 of the United States Code. Transit capital projects must meet the requirements of Section 5302 under Title 49 of the United States Code.

Federal Privatization Opportunities

The Highway Infrastructure Privatization Act (HIPA), which would have allowed the private sector to issue tax-exempt debt for developing public highway infrastructure, was not included in TEA-21 legislation. The concept, however, was reintroduced in February 1999 by U.S. Senator John Chafee, Chairman of the Committee on Environment and Public Works, under S.470 and renamed the Highway Innovation and Cost Savings Act (HICSA). To date, these legislative initiatives have been unsuccessful in advancing. More recently, the Bush Administration's TEA-21 reauthorization proposal called SAFETEA includes provisions encouraging private investment in transportation infrastructure by permitting state and local governments to issue tax-exempt private activity bonds for all highway and transit projects.

Existing tax law discourages private investment in highway infrastructure by prohibiting lower cost tax-exempt financing for projects involving private equity investment and private sector operating contracts. Because issuance of fully taxable debt results in higher interest payments thereby increasing the cost of capital, private entities are less likely to form public-private partnerships for developing highway infrastructure. Tax incentives, however, could induce private capital investment for various toll road projects. By lowering the cost of capital, the federal tax-exemption encourages more infrastructure investment than would otherwise occur.

Current law is inconsistent among transportation modes in allowing access to the tax-exempt market. There are provisions for airports, seaports and even transit projects with private participation to issue tax-exempt bonds. However, these provisions do not apply to highway facilities. Certainly, it should be noted that current provisions with regard to transit facilities have limitations – namely, they are subject to the state's annual volume cap on private activity bonds – the volume cap does not apply to airports and seaports. Moreover, high-speed intercity rail private activity bonds are subject to speed requirements – they must operate in excess of 150 miles per hour to qualify.

Significant capital demands for transportation infrastructure development have intensified the need for utilizing innovative financing strategies. While recent legislation has included incentives and/or mechanisms to explore innovative approaches to funding transportation investment needs, it is necessary to further expand such programs and to allow for flexibility in tax-exempt debt financing for transportation infrastructure.

Legislative efforts should highlight some important tax-incentive concepts -- amending the Internal Revenue Code to provide additional tax incentives for public-private partnerships in the financing of highway, mass transit, high-speed rail, and intermodal transfer facilities.

Further, incentive programs may include authorizing the issuance of tax credit bonds whereby the U.S. Treasury pays the interest to the investor in the form of tax credits. The federal government would subsidize the interest expense by granting investors tax deductions rather than interest payments. SCAG's regional rail capacity improvement program incorporates the issuance of tax credit bonds in the proposed financing structure. It is assumed that the railroads, in cooperation with a SCAG subsidiary agency to issue debt, would receive zero-cost financing on their borrowing in utilizing this public financing instrument – providing the lowest cost of capital for the railroads than any source available except for direct grants.

Conclusion on Federal Opportunities

All of these innovative financing mechanisms can potentially accelerate important projects in the SCAG Region that would otherwise take longer to implement or be delivered at all, as well as take advantage of today's costs. Each of these mechanisms involves some form of debt financing, which has been the method to get projects underway. The issue of securing a dedicated revenue stream to repay the debt becomes critical, as debt can only be useful if a steady stream of funds is available to pay it back.

Competition for these programs, both in state and nationally, would also need to be addressed, especially for programs like TIFIA that have caps on the level of financing. An underlying success factor that seems to be consistent for each of these programs is for the Region to be prepared with an eligible project that has already garnered the consensus of the member jurisdictions.

15. Public Funding Strategy

After reviewing innovative federal funding opportunities, state legislative measures, and alternative user fee structures for raising transportation revenues, the Finance Task Force formulated the following assumptions as a basis to develop SCAG's funding strategy:

Protect/Strengthen Existing Transportation Revenues

In the 2001 RTP, an important strategy was the commitment of sales tax revenues from gasoline to transportation purposes. Proposition 42, approved by the voters in March 2002, provides that these funds will be available for transportation purposes. However, a caveat placed in the State Constitution allows this revenue to be diverted to the State's General Fund if the Governor recommends such an action and the Legislature agrees by a two-thirds vote.

The diversion provision introduces considerable uncertainty in the availability of revenue, resulting in a reluctance to commit the funds to long-term transportation projects. To rectify this situation and to ensure that the Proposition 42 revenue is available when needed, the Constitution should be amended to remove this provision. This would make the sales tax on gasoline a truly viable revenue source.

Additionally, Caltrans recently reported that revenue assumptions made in the 2002 STIP Fund Estimate were more optimistic than is currently expected – the State Highway Account (SHA) cash balance is

projected to fall below planned levels primarily due to lower than expected truck weight fee revenues and gas tax receipts. It is critical to rectify this shortfall situation where possible by further adjusting the truck weight fee schedule to ensure a stable revenue stream.

Allow 55% Voter Approval for Local Transportation Sales Taxes/Continue Local Transportation Sales Taxes Where Necessary

This was a component of the funding strategy in the 2001 RTP. Since the adoption of that Plan, Riverside County voters approved a thirty-year extension of its local transportation sales tax. The successful extension of local transportation sales taxes in San Bernardino and Imperial counties is forecasted to provide an additional \$4.3 billion in revenue through 2030.

To facilitate the passage of these taxes, the State Constitution should be amended to allow passage with a 55 percent majority instead of the currently required two-thirds majority. Already, several constitutional amendments have been introduced in the 2003-2004 session of the State Legislature that would provide for such a change.

Local transportation sales taxes were imposed by majority vote in four counties within the SCAG Region. These counties include Imperial, Orange, Riverside and San Bernardino. These local sales taxes are scheduled to expire within the next ten years. Currently, Ventura County does not impose a local transportation sales tax and Los Angeles County has two permanent local taxes (Propositions A and C).

These counties are subject to Proposition 218 in accordance with a California Supreme Court decision, which requires a two-thirds voter approval for the imposition, extension or increase of “special” taxes by a local government.

In recognizing the difficulty many of these counties would have in passing local sales tax initiatives due to the two-thirds voter approval requirement, the baseline revenue forecast included the assumption that these local (half-cent) sales taxes would expire. In addition, it was assumed that Ventura County would not impose such a sales tax.

Consequently, some of SCAG's legislative efforts focused on supporting initiatives to establish a less than two-thirds vote process for extending and/or imposing local sales taxes. Although recent legislative efforts to authorize or extend the local sales taxes with a less than two-thirds voter approval has not been enacted, SCAG believes that removing this constraint during the period covered by the 2004 RTP is not unreasonable.

In November 2002, Riverside County secured approval by county voters to reauthorize their local sales tax measure. Riverside County obtained nearly 70 percent voter approval to continue the half-cent sales tax for an additional 30-years (2009-2039). The extended measure will provide an additional \$3 billion to the county (expressed in constant 2002 dollars) within the timeframe of the 2004 RTP. Of the three remaining counties with existing transportation sales taxes that are scheduled to expire, two – Imperial and San Bernardino – are assumed to continue the existing taxes. Currently, Orange County anticipates the construction of proposed RTP projects without extending Measure M.

By assuming the extension in the two counties where the local sales taxes are expected to continue, the Region would recognize \$4.3 billion (2002 \$) in additional revenues. Additionally, Chapter 785, Statutes of 2003 (SB314) authorizes the LACMTA to place on the ballot before Los Angeles County voters another half-cent sales tax for transportation (in addition to the existing two permanent taxes, Propositions A and C). This newly proposed tax, however, would be limited to a period of 6 and one-half years or less and is anticipated to generate about \$4 billion for Los Angeles County transportation projects.

See Attachment SB314 for associated capital projects and programs.

The forecasted estimates of sales tax revenues included in the RTP financial plan are based on data collected from the county transportation commissions and from historical taxable sales. Accordingly, the assumed sales tax growth rates for the three counties are as follows:

Table 12

Assumed Sales Tax Growth Rates <i>(Used to Estimate Additional Revenues from Extension)</i>	
County	Growth Rate (%)
Imperial	2
San Bernardino	3 to 7
Los Angeles	4.5 to 5.5

Table 13 provides revenue estimates from the extension of the sales taxes (and the imposition of a new sales tax) for the three counties.

Table 13

Estimated Additional Revenues Local Transportation Sales Taxes <i>Constant 2002 Dollars (In Billions)</i>	
County	Additional Revenues
Imperial	\$0.1
San Bernardino	4.2
Los Angeles	3.7
Total	\$8.0

The following information demonstrates the importance of continuing local transportation sales taxes within the SCAG Region:

- Region-wide, approximately 75 percent of all the revenues are forecasted to come from local sources, namely the local transportation sales taxes and the Transportation Development Act revenues. Imperial County, where 20 percent of the revenues are local in origin, represents the low end of the range. Orange and Los Angeles counties, where about 75 to 80 percent of the revenues are forecasted to be local, represent the high-end of the range (*see pie charts in revenue section of this technical appendix*).
- In the SCAG Region, only Los Angeles County has permanent local transportation sales taxes (a 1 percent rate – a combination of two ½ percent measures). These taxes are estimated to generate about \$35.6 billion over the forecast period (in constant 2002 dollars).
- Ventura County is the only county in the Region without a local transportation sales tax. Local transportation funding in Ventura County currently represents about 41 percent of all the revenues in the County.

The following table compares the current forecast of revenues in each county, where the sales tax is scheduled to sunset, with the amount of revenues that would be generated should the local transportation sales tax be extended to 2030.

Table 14

With & Without the Extension of the Sales Tax 2002-2030 (constant 2002 \$ Billions)				
County	Sunset Date	Sales Tax Revenues, 2002-Sunset Date	Additional Revenue Resulting from Sales Tax Extension	Total
Imperial	2010	\$ 0.06	\$ 0.1	\$ 0.16
Orange	2011	\$ 2.10	\$ 0.00*	\$ 2.10
Los Angeles	Prop A&C (permanent)	\$ 35.60 (through 2030)	\$ 3.7	\$ 39.30
San Bernardino	2010	\$.91	\$ 4.2	\$ 5.11

* Not expected to be extended in Orange County.

Maximize Motor Vehicle Fuel User Fee Revenue Through Pay-as-you-go and Debt Financing (Assuming an Adjustment to the Motor Vehicle Fuel Excise Tax Rate to Maintain Historical Purchasing Power)

An important element in the 2001 RTP's revenue strategy was a 5 cents per gallon increase in the motor vehicle fuel tax in 2010 and an additional penny annually between 2011 and 2015, for a total 10 cents increase. For the 2004 RTP, it is proposed that a portion of the revenue stream from that increase be committed to the issuance of debt to raise up front revenues to fund RTP projects. The remaining portion of the revenue generated from the incremental increase in the state gas tax could be utilized for direct pay-as-you go projects. Additionally, GARVEE bond financing (Grant Anticipation Revenue Vehicles) should be employed where feasible, pledging future federal funds to accelerate the 2004 RTP project development process.

This proposal would require state implementation legislation. However, with the existing authorization of debt financing using federal fuel tax revenue (GARVEEs), the federal government has already established a precedent that the state of California should follow.

State transportation revenues are collected primarily from the state excise fuel tax on motor vehicles. The current state excise fuel tax was last increased over a five-year window period from 1990 through 1994, when it was doubled from 9 cents to 18 cents per gallon.¹² If an assumption were made that the legislature would provide for a similar increase fifteen to twenty years later, between 2005 and 2010, the revenue stream for the RTP would be enhanced. In light of historical tax rate changes, it seems reasonable to assume further rate adjustments. The following table provides a chronological history of the State's gasoline excise tax rate adjustments:

¹² Effective August 1, 1990, the tax rate was increased from 9 cents to 14 cents per gallon. Effective January 1, 1991, the tax rate was increased to 15 cents per gallon. Effective January 1, 1992, the tax rate was increased to 16 cents per gallon. Effective January 1, 1993, the tax rate was increased to 17 cents per gallon. Effective January 1, 1994, the tax rate was increased to 18 cents per gallon. See state gas tax history table.

Table 15

Chronology of the State's Excise Gas Tax Rate Adjustments	
Effective Date	Tax Rate (per gallon)
October 1, 1923 (fuel tax first imposed)	2 cents
July 29, 1927	3 cents
July 1, 1947	4.5 cents
July 1, 1953	6 cents
October 1, 1963	7 cents
January 1, 1983	9 cents
August 1, 1990	14 cents
January 1, 1991	15 cents
January 1, 1992	16 cents
January 1, 1993	17 cents
January 1, 1994	18 cents

Source: State Board of Equalization 1998-99 Annual Report (A-34)

The Finance Task Force, in coordination with other SCAG committees, approved moving forward with efforts to increase the 18-cents per gallon state fuel tax by five-cents in 2010, and by one cent annually from 2011 through 2015. This adjustment totals 10 cents.

The methodology for estimating the additional revenues required using Caltrans' fuel forecast for estimated gallons of motor vehicle fuel consumed in the Region through 2030. For analysis purposes, a five-cents increase starting in 2010, and 1-cent increases each year thereafter through 2015, were applied to the consumption forecast. This calculation revealed that the tax adjustment strategy would generate nearly \$22 billion through 2030 (in 2002 dollars). Table 16 provides the additional amount of revenues generated for each county, based on each county's proportion of fuel consumption forecasted by Caltrans.

Table 16

Estimated Additional Revenues: Adjust Motor Vehicle Fuel Excise Tax Rate and User-Fee (Constant 2002 \$ Billions)	
County	Additional Revenues
Imperial	\$0.20
Los Angeles	\$11.69
Orange	\$2.97
Riverside	\$2.60
San Bernardino	\$3.12
Ventura	\$1.12
Total	\$21.70
Note: State increase or Regional imposition – assumes that a portion of the revenues would be pledged for debt financing.	

An alternative to a statewide increase in the fuel tax would be to secure authorization for a regional fuel tax, similar to the authorization obtained by the San Francisco Region. In 1997 the Metropolitan

Transportation Commission (MTC), the San Francisco Region's MPO, successfully sponsored AB 595 authorizing MTC to seek voter approval for a tax on gasoline sold in the Bay Area counties. A regional fuel tax, under current constitutional provisions, would require a two-thirds vote of the regional electorate to be implemented.

Review Methods for Collecting Revenues from Alternative Fuel Vehicles

This component of the Region's public funding strategy includes the option to further study a revenue raising mechanism on alternative fuel vehicles as the need arises. Due to state and federal air quality policies as well as technological advances, the automobile will likely become more fuel efficient and less reliant on gasoline.

Although this does not mean that the conventional gasoline fueled vehicle will disappear, it will likely continue to evolve as it has since its invention. The recent introduction of dual mode vehicles by Toyota and Honda are testament to the evolutionary character of the automobile. Moreover, the automobile industry is spending billions of dollars on R&D related to practical alternatives to the internal combustion engine. Over the next decade this trend may accelerate. This evolution in technology may have its greatest initial impact in California, especially in Southern California.

Annual growth in gas tax revenues, which is relatively modest, may stabilize and then begin to decline. In the meantime, maintenance, operations and rehabilitation costs of the state highway system and local streets will likely continue to increase.

In order to offset a significant portion of this possible decline in gas tax revenues, SCAG recognized the importance of further studying the potential impacts on transportation revenues due to alternative fuel vehicle market penetration.

It is clearly important to understand that these revenues are affected by the actual market penetration rate of alternative fuel/fuel efficient vehicles. If the penetration rate were to be 2 to 5 percent, gasoline tax revenue loss would be minimal, not necessitating a revenue raising mechanism on alternative fuel vehicles. Certainly, there are other difficulties to address if the penetration rate were higher – that is, high enough to substantially reduce regional transportation revenues. There would be difficulties associated with the actual implementation of a revenue raising mechanism when many types of fuels and fueling methods may be available.

For instance, an equitable common tax base among the different fuel choices would need to be developed. This is especially problematic since some fuels such as gasoline and methanol are measured in gallons, while compressed natural gas is measured in cubic feet and electricity is measured in kilowatt hours. Preliminary analysis has been conducted on exploring a common tax base using a standard measure of energy that is applicable to each fuel type, such as British thermal units (BTUs). By applying a tax rate on the energy produced from each fuel, rather than on the different fuel measurements, a potential equitable method of collecting fuel revenues may be attained, regardless of the mixture of vehicle fuel that would be available on the market for commercial usage. However, this topic would require much further study for its feasibility.

16. Private/Innovative Funding Strategy

Consider the Feasibility of HOT Lanes for New Facilities

Given limited public funds to support transportation infrastructure development, high occupancy toll lanes should be considered for some new facilities. Projected toll revenues could be substantial based upon some initial analyses of corridors within the SCAG Region (see project listing).

Pursue User-Fee Supported Project Financing for Major Regional Investments Where Applicable

There are several one-of-a-kind major Regional projects proposed in the 2004 RTP, including the proposed Maglev system, special purpose facilities, and freight railroad system improvements. The three proposals are to be debt financed and backed by user charges. The proposed debt financing instruments including tax-exempt revenue bonds and tax credit bonds facilitate public-private partnerships -- most critical to addressing some of the Region's infrastructure funding issues.

Again, in recognizing that there are limited public resources available to address many large-scale transportation infrastructure projects in the Region, this strategy simply provides that the Region will consider the feasibility of using innovative public-private partnership arrangements to develop transportation infrastructure where such financing strategies are applicable. In particular, these financing arrangements are most feasible where we have identified projects capable of generating their own stream of revenues to offset capital development, operations and maintenance as well as any associated debt service costs. Potential financing structures identified for the three proposed projects include:

Special Purpose Facility Financing

- ◆ Total development cost for a Regional system (about 140 miles including potentially the I-710 corridor, the East-West Corridor, and the I-15 corridor) is estimated to be \$16.5 billion.
- ◆ Net revenues generated from tolls would be leveraged to issue tax-exempt revenue bonds.
- ◆ Capital financing instruments may include a combination of senior-lien tax-exempt revenue bonds and federal credit enhancement in the form of loans (at 33% total eligible capital cost-TIFIA).
- ◆ The tolls are assumed to be imposed at an average rate of \$0.56 per mile.

Regional Rail Capacity Project Financing

- ◆ Total development cost for this component is estimated to be \$3.4 billion (\$1.2 billion for capacity improvements and \$2.2 billion for grade separations).
- ◆ The financial analysis relies upon taking advantage of the interest rate differential between private sector financing costs and tax-credit bonds, a public financing mechanism that would substitute federal tax credits for interest payments.
- ◆ Under a tax credit bond-financing structure, the federal government effectively subsidizes the interest portion of the debt through federal income tax credits.
- ◆ It is assumed that a revenue stream equivalent to about \$5.39 per TEU would be generated to finance the program.

Maglev Project Financing

- ◆ The cost for this initial operating segment (IOS) is estimated to be \$5.5 billion.
- ◆ The financing structure for this project relies upon the issuance of tax-exempt revenue bonds and TIFIA loans.

- ◆ An average charge of \$0.30 per passenger mile would be needed to finance the project.

17. Funding Components

Tables 17A through 17C below itemize the funds generated from each component. Each of the components, taken together, make-up the Region’s public and private funding strategy. Additionally, table 18 provides SCAG’s 2004 RTP Regional checkbook by county with the public funding strategy.

Table 17

2004 RTP Revenue Sources <i>(Constant 2002 \$ Billions)</i>	
Funding Component	\$
Baseline Public Revenue	
<ul style="list-style-type: none"> Extends existing local, state and federal funds for transportation out to the year 2030. 	120
Public Funding	
<ul style="list-style-type: none"> Cont./Explore Local Transportation Sales Taxes (Imperial, Los Angeles and San Bernardino Counties) - \$8 billion Maximize Motor Vehicle Fuel User Fee Revenue (State increase or Regional imposition totaling 10 cents; 5 cents in 2010 and 1 cent per year from 2011 to 2015) - \$21.7 billion Development Mitigation Fee (San Bernardino County) - \$1.5 billion. 	31
Private/Other Funding	
<ul style="list-style-type: none"> Includes HOT lanes and User-Fee Supported Major Regional Investments – Public Private Partnerships. Other funds may include those local revenue sources not fully or traditionally captured in the RTP financial plan. 	62
Total Revenue	\$213
Notes: * The RTP financial plan does not include <u>all</u> city funds for local streets and roads, however, some gas tax subvention revenues have been incorporated.	

Table 18

2004 RTP Regional Checkbook by County <i>(Constant 2002 \$ Billions)</i>					
County	Baseline Revenues	Committed Costs	Net Balance for Add'l RTP Projects	Public Funding Strategy	Total Public Funding Available for Add'l 2004 RTP Investments (Above Baseline & Tier 2)
Imperial	\$1.1	\$0.8	\$0.3	\$0.3	\$0.6
Los Angeles	\$76.0	\$79.4	(\$3.4)	\$15.4	\$12.0
Orange	\$20.5	\$15.8	\$4.7	\$3.0	\$7.7
Riverside	\$12.1	\$6.0	\$6.1	\$2.6	\$8.7
San Bernardino	\$8.0	\$10.9	(\$2.9)	\$8.8	\$5.8
Ventura	\$2.7	\$2.5	\$0.2	\$1.1	\$1.3
Total	\$120.4	\$115.4	\$5.0	\$31.2	\$36.1
Notes: Numbers may not add due to rounding.					

18. Cost Estimation Methodology for Draft 2004 RTP Projects

Public cost information, for individual projects associated with the Draft 2004 RTP, were provided by the staff of implementing agencies and/or local county transportation commissions. Because many of these cost estimates were developed using a variety of techniques, they vary in detail and accuracy depending on the level of planning and the availability of information.

Where public cost information was not available (or not provided by implementing agencies), capital, operations and maintenance, as well as any associated revenue dollars were estimated for projects given descriptions as to location, extent of construction or service, and any other relevant information.

A system-level cost estimation approach was utilized. That is, cost estimates for candidate projects were generated from local project cost experience. Basic cost assumptions were derived by contacting appropriate city and county agencies as well as local county transportation commissions conducting similar work efforts or considering comparable aspects of local projects. This technique is primarily useful for long-range planning purposes requiring financial constraint, but lacking sufficient information to estimate detailed quantities and unit costs.

In system-level cost estimating, the basic unit of cost estimation for highway projects is miles of roadway constructed, reconstructed or resurfaced. The basic units for intersection work are the number of intersections improved and lane miles of highway added. For transit projects, the basic unit of cost estimation may include miles of track to be constructed or the number of vehicles to be purchased.

Although detailed engineering estimates are required on an individual project basis for funding allocation purposes, this system-level approach provides a reasonable range of costs for a package of projects given that costs will vary with location issues and design considerations. The following provides some of the cost assumptions utilized for the Draft 2004 RTP. The cost information is provided by mode on a per unit basis.

Table 19

Cost Assumptions			
Mode	Cost Item	Unit	Average Est. Cost (2002 \$ unless otherwise noted)
HOV	Restriping and minimal median reconstruction	Lane Mile	\$ 1,300,000 to \$ 2,400,000
	Basic median reconstruction	Lane Mile	\$ 2,500,000 to \$ 4,800,000
	General lane addition (<i>median reconstruction, some right of way acquisition and minimal bridgework</i>)	Lane Mile	\$ 5,000,000 to \$ 5,300,000 Note: According to Caltrans Dist. 8, high estimate can reach \$10M.
	Transitway construction and extensive reconstruction efforts	Lane Mile	\$ 32,200,000
	Major reconstruction efforts (e.g. segments of I-5)	Lane Mile	\$ 40,600,000
	Intermediate general reconstruction	Lane Mile	\$ 13,100,000
	Maintenance	Lane Mile	\$ 29,900

Cost Assumptions			
Mode	Cost Item	Unit	Average Est. Cost (2002 \$ unless otherwise noted)
HOV Connectors	Freeway connector	Per Direction	\$ 38,200,000 to \$ 56,100,000
Mixed Flow	Freeway lanes - assume same costs as HOV lane additions	Lane Mile	\$ 5,000,000 to \$ 5,300,000 Note: According to Caltrans Dist. 8, high estimate can reach \$10M.
	Maintenance	Lane Mile	\$ 29,900
Arterials	The cost estimate includes intersection and signal work. This unit cost should be increased by approximately 76% to account for average cost of ROW, contingency, utility relocation, etc. (<i>Estimates may vary by as much as 30% depending on location and type of arterial</i>).	Lane Mile	\$ 1,300,000 to \$ 2,300,000* *The high range includes ROW, etc.
Arterial HOV	This cost should be increased by about 76% to account for average cost of ROW, contingency, utility, relocation, etc.	Lane Mile	\$ 388,000
Busway / Transitway	Busway construction	Lane Mile	\$ 19,100,000 to \$ 32,200,000
	Aerial structure with full grade separation	Lane Mile	\$ 88,400,000
	Bus Capital, 12 year lifecycle	Per Bus	\$ 442,000
	Operations	Per Passenger Mile	27 cents
Interchange/ Ramps	Basic Interchange project		\$ 25,000,000
	Freeway to freeway project		\$ 94,300,000
	Typical ramp project with improvements to two directions		\$ 5,500,000
	Ramp project with improvement to one direction		\$ 2,700,000
Toll Lanes	Same cost as Mixed Flow and HOV	Lane Mile	\$ 5,000,000 to \$ 11,900,000
Truck Lanes	Truck Lane	Lane Mile	\$ 32,200,000
	Interchange (depends on location and age of freeway)		\$ 19,100,000 to \$ 38,200,000
	Maintenance per year	Lane Mile	\$ 38,000

Cost Assumptions			
Mode	Cost Item	Unit	Average Est. Cost (2002 \$ unless otherwise noted)
	Note: On routes with public subsidy, trucks pay roughly 30% of construction costs.		
Intermodal & Goods Movement	Bridge		\$ 12,500,000
	Grade Separation	Per Separation	\$ 16,700,000 to \$ 23,900,000
	Parking space at transit station	Per Space	\$ 3,800
	Rail Platform		\$ 1,200,000
	Bus Transfer Facility		\$ 442,000
	Intermodal facility		\$ 63,300,000
	Annual O&M	Per Rail Station	\$ 80,000
	O&M for parking	Per Space	\$ 143
Commuter Rail	5 car consists train set	Per Train Set	\$ 14,300,000
	Construct rail line	Per Mile	\$4.3 to \$6.2 million per mile (single track)
	Rehab of rail line	Per Mile	\$2.1 to \$3.8 million per mile (single track)
	O&M alternative 1	Per Train Mile	\$56 (<i>Metrolink – roughly 1,809,500 annual train miles for 28 train sets</i>)
	O&M alternative 2	Per Passenger Mile	36 cents
	O&M alternative 3	Per Train Per Year	\$ 3,000
	Revenues		46% to 53% farebox recovery
Urban Rail	Light rail construction including station development	per mile	\$ 50,200,000 to \$ 80,000,000
	Aerial structures including station development	per mile	\$ 96,700,000
	(subway w/station) Heavy rail construction including limited tunneling and station development	per mile	\$ 334,300,000
	Rail Cars	per car	\$ 4,400,000

Cost Assumptions			
Mode	Cost Item	Unit	Average Est. Cost (2002 \$ unless otherwise noted)
	(5 cars consist train set) Light rail trains to run on traditional freight lines.	per train with 5 passenger cars	\$ 20,300,000
	O&M alternative	per passenger mile	47 cents
	O&M light rail	per vehicle hour	\$ 600
	O&M heavy rail	per vehicle hour	\$ 1,400,000
	Revenues		15% to 30% farebox
High Speed and Other Rail	Track construction	per mile	\$ 28,700,000
	Right-of-way	per mile per track	\$ 2,400,000
	Station and parking lot costs are same as Intermodal & Goods Movement.		
	O&M for parking	per space	\$ 143
	6 car consist train set with engine and cab car.	per train set	\$ 20,300,000
	O&M	per pass mile	35 cents
Bus Transit	Bus Capital, 12 year lifecycle	per bus	\$ 442,000 to \$ 466,000
	Operating	per hour	\$ 60 to \$ 84
	Revenues		26% farebox
	note: assume Express service 6.5 hours of operation, 5 days/week, 51 weeks/year		
	Rapid Bus Capital	per mile	\$ 600,000 (Note: LACMTA estimate)
	Rapid Bus O&M	per mile	\$ 370,000 (Note: LACMTA estimate)
	Rapid Bus (Capital/O&M)	per mile	\$ 13,100,000 (Orange County estimate includes extensive infrastructure work)

Sources: Caltrans Local District Offices, Metrolink, LACMTA, and other local county transportation commissions.

YR 2002 Dollars

Revenues in 5 Year Increments -- Low Scenario -- Baseline Public Revenues							
County	2002-2005*	2006-2010	2011-2015	2016-2020	2021-2025	2026-2030	Total 2002-2030
Imperial	\$ 249,479,125	\$ 196,691,545	\$ 168,477,162	\$ 157,335,425	\$ 146,795,026	\$ 136,822,535	\$ 1,055,600,820
Los Angeles	\$ 12,868,366,396	\$ 13,898,588,395	\$ 11,876,055,804	\$ 12,122,184,123	\$ 12,514,868,919	\$ 12,729,118,199	\$ 76,009,181,837
Orange	\$ 5,270,194,227	\$ 5,020,836,612	\$ 2,773,474,568	\$ 2,524,070,135	\$ 2,408,556,863	\$ 2,501,226,566	\$ 20,498,358,970
Riverside	\$ 1,457,240,850	\$ 1,844,958,262	\$ 2,128,067,271	\$ 2,186,683,807	\$ 2,225,889,752	\$ 2,252,397,439	\$ 12,095,237,381
San Bernardino	\$ 2,051,180,327	\$ 1,937,572,080	\$ 1,004,529,767	\$ 1,003,484,359	\$ 999,830,040	\$ 999,762,850	\$ 7,996,359,422
Ventura	\$ 523,484,503	\$ 452,066,281	\$ 461,287,806	\$ 437,169,842	\$ 419,354,018	\$ 402,997,141	\$ 2,696,359,590
Regional Total	\$ 22,419,945,428	\$ 23,350,713,175	\$ 18,411,892,379	\$ 18,430,927,691	\$ 18,715,294,617	\$ 19,022,324,729	\$ 120,351,098,020

* includes beginning balances

YR 2002 Dollars

Revenues in 5 Year Increments -- Additional Public Revenues from 2004 RTP Funding Strategy							
County	2002-2005	2006-2010	2011-2015	2016-2020	2021-2025	2026-2030	Total 2002-2030
Imperial	\$ -	\$ 38,137,901	\$ 85,563,108	\$ 54,277,371	\$ 50,976,989	\$ 71,794,631	\$ 300,750,000
Los Angeles	\$ 268,868,620	\$ 5,069,288,241	\$ 3,894,381,636	\$ 1,551,406,461	\$ 1,435,852,896	\$ 3,186,091,474	\$ 15,405,889,327
Orange	\$ -	\$ 564,801,893	\$ 837,580,629	\$ 394,707,214	\$ 365,308,196	\$ 810,602,069	\$ 2,973,000,000
Riverside	\$ -	\$ 494,700,346	\$ 733,622,589	\$ 345,717,317	\$ 319,967,219	\$ 709,992,529	\$ 2,604,000,000
San Bernardino	\$ -	\$ 592,489,154	\$ 1,987,070,743	\$ 1,712,995,349	\$ 1,884,541,740	\$ 2,591,643,014	\$ 8,768,740,000
Ventura	\$ -	\$ 212,405,787	\$ 314,990,043	\$ 148,438,058	\$ 137,381,931	\$ 304,844,181	\$ 1,118,060,000
Regional Total	\$ 268,868,620	\$ 6,971,823,321	\$ 7,853,208,747	\$ 4,207,541,771	\$ 4,194,028,971	\$ 7,674,967,898	\$ 31,170,439,327

YR 2002 Dollars

Revenues in 5 Year Increments -- Total Public Revenues 2004 RTP Financial Plan							
County	2002-2005	2006-2010	2011-2015	2016-2020	2021-2025	2026-2030	Total 2002-2030
Imperial	\$ 249,479,125	\$ 234,829,446	\$ 254,040,270	\$ 211,612,796	\$ 197,772,015	\$ 208,617,167	\$ 1,356,350,820
Los Angeles	\$ 13,137,235,016	\$ 18,967,876,636	\$ 15,770,437,440	\$ 13,673,590,584	\$ 13,950,721,815	\$ 15,915,209,673	\$ 91,415,071,164
Orange	\$ 5,270,194,227	\$ 5,585,638,505	\$ 3,611,055,197	\$ 2,918,777,348	\$ 2,773,865,059	\$ 3,311,828,635	\$ 23,471,358,970
Riverside	\$ 1,457,240,850	\$ 2,339,658,607	\$ 2,861,689,860	\$ 2,532,401,124	\$ 2,545,856,971	\$ 2,962,389,968	\$ 14,699,237,381
San Bernardino	\$ 2,051,180,327	\$ 2,530,061,234	\$ 2,991,600,510	\$ 2,716,479,708	\$ 2,884,371,780	\$ 3,591,405,864	\$ 16,765,099,422
Ventura	\$ 523,484,503	\$ 664,472,068	\$ 776,277,849	\$ 585,607,900	\$ 556,735,949	\$ 707,841,322	\$ 3,814,419,590
Regional Total	\$ 22,688,814,048	\$ 30,322,536,496	\$ 26,265,101,126	\$ 22,638,469,461	\$ 22,909,323,588	\$ 26,697,292,628	\$ 151,521,537,347

YR 2002 Dollars

Revenues in 5 Year Increments -- Total Private/Other Revenues 2004 RTP Financial Plan							
Funding Component	2002-2005	2006-2010	2011-2015	2016-2020	2021-2025	2026-2030	Total 2002-2030
User-Fee Supported Major Regional Investments	\$ -	\$ -	\$ 568,171,909	\$ 14,290,427,649	\$ 14,607,562,850	\$ 19,833,837,592	\$ 49,300,000,000
HOT Lanes/ Toll Corridor Improvements/ Other	\$ 114,461,448	\$ 686,082,411	\$ 123,680,141	\$ 2,588,119,089	\$ 2,573,726,502	\$ 6,872,954,408	\$ 12,959,024,000
Regional Total	\$ 114,461,448	\$ 686,082,411	\$ 691,852,050	\$ 16,878,546,738	\$ 17,181,289,352	\$ 26,706,792,001	\$ 62,259,024,000

Senate Bill No. 314

CHAPTER 785

An act to add Section 130350.5 to the Public Utilities Code, relating to transportation.

[Approved by Governor October 10, 2003. Filed with Secretary of State October 11, 2003.]

LEGISLATIVE COUNSEL'S DIGEST

SB 314, Murray. Transportation funding: County of Los Angeles.

Existing law provides for the establishment of various local transportation authorities, and empowers those authorities, under certain conditions, to impose local transactions and use taxes for the funding of local transportation purposes.

This bill would authorize the Los Angeles County Metropolitan Transportation Authority (MTA) to impose, in addition to any other tax that it is authorized to impose, a transactions and use tax at the rate of 0.5% for 6¹/₂ years or less, for the funding of specified transportation-related purposes designated as capital projects or capital programs. The bill would condition the imposition of a tax under this authority upon voter approval as otherwise required by law and would prohibit the MTA from incurring bonded indebtedness payable from the tax proceeds to fund those projects or programs or from substituting revenue from the tax proceeds for current funding commitments to the projects or programs. The bill would require the MTA to prepare an expenditure plan prior to submitting the ordinance to voters, describing the projects and programs, their cost, and funding sources. The bill would create the Capital Project Development Fund, into which the tax revenue would be deposited, and would make those moneys available for expenditure by the MTA to fund projects and programs. The bill would enact other related provisions.

The people of the State of California do enact as follows:

SECTION 1. Section 130350.5 is added to the Public Utilities Code, to read:

130350.5. (a) In addition to any other tax that it is authorized by law to impose, the Los Angeles County Metropolitan Transportation Authority (MTA) may impose, in compliance with subdivision (b), a transactions and use tax at a rate of 0.5 percent that is applicable in the incorporated and unincorporated areas of the county.

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(b) For purposes of the taxing authority set forth in subdivision (a), all of the following apply:

(1) The tax shall be proposed in a transactions and use tax ordinance, that conforms with Chapter 2 (commencing with Section 7261) to Chapter 4 (commencing with Section 7275), inclusive, of the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code), and that is approved by a majority of the entire membership of the authority.

(2) The tax may be imposed only if the proposing ordinance is approved by the voters in the manner as otherwise required by law and, if so approved, shall become operative as provided in Section 130352.

(3) The proposing ordinance shall specify, in addition to the rate of tax and other matters as required by the Transactions and Use Tax Law, that the tax is to be imposed for a period of six and one-half years or less and that the revenues derived from the tax, net of refunds and costs of administration, are to be administered by the MTA exclusively for the purposes of the "Capital Projects," as described and in the amounts set forth in subparagraph (A), and for the purposes of the "Capital Programs," as described and in the amounts set forth in subparagraph (B).

(A) Capital Projects.

(i) Exposition Boulevard Light Rail Transit Project from downtown Los Angeles to Santa Monica. The sum of nine hundred twenty-five million dollars (\$925,000,000). This project shall be completed by 2011, and shall be the first priority for federal funding received for the capital projects in this subparagraph.

(ii) Crenshaw Metro Rapidway from Wilshire Boulevard to Los Angeles International Airport along Crenshaw Boulevard. The sum of two hundred thirty-five million five hundred thousand dollars (\$235,500,000). This project shall be completed by 2008.

(iii) San Fernando Valley North-South Rapidways. The sum of one hundred million five hundred thousand dollars (\$100,500,000). This project shall be completed by 2009.

(iv) Metro Gold Line (Pasadena to Irwindale) Light Rail Transit Extension. The sum of three hundred twenty-eight million dollars (\$328,000,000). This project shall be completed by 2012, and shall be the second priority for federal funding received for the capital projects in this subparagraph.

(v) Metro Center Connector. The sum of one hundred sixty million dollars (\$160,000,000). This project shall be completed by 2012.

(vi) Metro Red Line Extension to Fairfax Avenue. The sum of nine hundred million dollars (\$900,000,000). This project shall be completed by 2012.



(vii) State Highway Route 5 Carmenita Road Interchange Improvement. The sum of one hundred thirty-eight million dollars (\$138,000,000).

(viii) State Highway Route 5 Capacity Enhancement (State Highway Route 134 to State Highway Route 170, including access improvement for Empire Avenue). The sum of two hundred seventy-one million five hundred thousand dollars (\$271,500,000).

(ix) State Highway Route 5 Capacity Enhancement (State Highway Route 605 to the Orange County line, including improvements to the Valley View Interchange). The sum of two hundred sixty-four million eight hundred thousand dollars (\$264,800,000).

(x) State Highway Route 5/State Highway Route 14 Capacity Enhancement. The sum of ninety million eight hundred thousand dollars (\$90,800,000).

(xi) Capital Project Contingency Fund. The sum of one hundred seventy-three million dollars (\$173,000,000).

(B) Capital Programs.

(i) Alameda Corridor East Grade Separations. The sum of two hundred million dollars (\$200,000,000).

(ii) MTA and Municipal Regional Clean Fuel Bus Capital (Facilities and Rolling Stock). The sum of one hundred fifty million dollars (\$150,000,000). The first priority for the expenditure of these funds shall be satisfaction by the MTA of the requirements of the Consent Decree between the MTA and the Labor Community and Strategy Center, et al., including the purchase of the entire number of buses required to comply with the decree.

(iii) Countywide Soundwall Construction (MTA Regional List and Monterey Park/State Highway Route 60). The sum of two hundred fifty million dollars (\$250,000,000).

(iv) Local return for major street resurfacing, rehabilitation, and reconstruction. The sum of two hundred fifty million dollars (\$250,000,000).

(v) Metrolink Capital Improvements. The sum of seventy million dollars (\$70,000,000).

(vi) Eastside Light Rail Access. The sum of thirty million dollars (\$30,000,000).

(vii) Capital Program administration. The sum of ten million dollars (10,000,000). The MTA shall use these funds for the administration of the Capital Program.

(c) The MTA may not incur bonded indebtedness payable from the proceeds of the tax provided by this section for the funding of the projects and programs specified in this section, or loan money from the proceeds to other projects or programs in advance of completing the



projects and programs in subparagraphs (A) and (B) of paragraph (3) of subdivision (b). The MTA shall complete all projects and programs in subparagraphs (A) and (B) of paragraph (3) of subdivision (b) as a condition of the use and expenditure of the proceeds of the tax. The MTA shall maintain the current amount of any funding for the projects and programs specified in this section received from its sources other than the proceeds of the tax, and may not reallocate money that is already allocated for those projects and programs to other projects or uses.

(d) Notwithstanding Section 7251.1 of the Revenue and Taxation Code, the tax rate authorized by this section may not be considered for purposes of the combined rate limit established by that section.

(e) A jurisdiction or recipient is eligible to receive funds from the local return program, described in clause (iv) of subparagraph (B) of paragraph (3) of subdivision (b), only if it continues to contribute to that program an amount that is equal to its existing commitment of local funds or other available funds. The MTA may develop guidelines which, at a minimum, specify maintenance of effort requirements for the local return program, matching funds, and administrative requirements for the recipients of revenue derived from the tax.

(f) Prior to submitting the ordinance to the voters, the MTA shall adopt an expenditure plan for the revenues derived from the tax. The expenditure plan shall describe the specified projects and programs listed in paragraph (3) of subdivision (b), the estimated total cost for each project and program, funds other than the tax revenues that the MTA anticipates will be expended on the projects and programs, and the schedule during which the MTA anticipates funds will be available for each project and program. To be eligible for proceeds from the tax, an agency sponsoring a capital project or capital program shall submit to the MTA an expenditure plan for its project or program containing the same elements as the expenditure plan that MTA is required by this subdivision to prepare.

(g) The MTA shall establish and administer the Capital Project Development Fund. The revenue derived from the tax shall be deposited into this fund. The moneys in the fund shall be available to the MTA only to meet expenditure and cash flow needs of the capital projects and capital programs described in subparagraphs (A) and (B) of paragraph (3) of subdivision (b), including the replacement of federal or state funds if the amount of federal or state funds received by the MTA is less than anticipated in the expenditure plan. If the sales tax revenue from this section is less than that needed to meet these expenditure and cash flow needs, the MTA shall supplement the sales tax revenue with money from other sources available to the MTA. Any funds remaining in the fund shall be allocated in equal amounts of 25 percent each to the MTA and



to the Municipal Clean Fuel Bus Capital, local return, and Countywide Soundwall programs as described in subparagraph (B) of paragraph (3) of subdivision (b).

(h) If the total amount of revenue received from the tax exceeds the amount in the MTA's expenditures plan or if other funds, including, but not limited to, funds under the Traffic Congestion Relief Act of 2000 (Chapter 4.5 (commencing with Section 14556) of Part 5.3 of Division 3 of Title 2 of the Government Code), become available and are allocated to complete capital projects or capital programs, as described in subparagraphs (A) and (B) of paragraph (3) of subdivision (b), the MTA may expend the surplus tax revenue on its next highest priority projects.

SEC. 2. The Legislature finds and declares that the tax ordinance authorized in Section 130350.5 of the Public Utilities Code is intended to provide funds necessary to complete the capital projects and capital programs described in that section and that the expenditure plan required by that section shall be structured to provide appropriate funding guarantees for the completion of each project and program.

