

Chapter 3

Financing Our Future

3 Financing Our Future

How we'll pay for the Regional Transportation Plan



Paying for the Regional Transportation Plan

Over the next 30 years, through 2050, San Diego Forward: The 2019 Regional Transportation Plan (2019 Federal RTP) projects that about \$208 billion in local, state, and federal dollars will be available to build a comprehensive, interconnected transportation system that provides more choices. As with the Regional Plan adopted in 2015, the 2019 Federal RTP extends to 2050 to allow our region to incorporate all transportation projects and programs that voters approved in the *TransNet* Ordinance, which extends to 2048. SANDAG is working creatively to leverage available funds in order to maximize every dollar. Even so, there is a finite amount of anticipated funding available over the next three decades. This chapter (Financing Our Future), and the appendices it references, comprise the financial element of the 2019 Federal RTP, as required by law.



Where Our Transportation Funds Come From, and How We Can Invest Them

Building a transportation system we can afford

Federal law requires SANDAG to develop a regional transportation plan built on reasonable assumptions of the revenues that will be available during the time period covered by that plan. While we're anticipating about \$208 billion over 30 years, we don't have all the money right now. Also, a majority of the funding sources are tied to certain types of projects (for example, transit infrastructure or highway operations and maintenance) and we don't have the authority to interchange them. These constraints come with specific provisions from Congress or the state Legislature. The "revenue constrained scenario" for transportation investments detailed in the 2019 Federal RTP plays by those rules. It's what we can do given the budget that we currently project. From this point on, we'll refer to the "revenue constrained network" as our investment plan for transportation.

Our investment plan will be funded by a combination of local, state, and federal revenues. Local funds make up 48 percent of the total projected revenue, state funds make up 35 percent, and federal funds amount to 17 percent (Figure 3.1). Because funding will not be available all at once, projects will be constructed as the money becomes available. This is shown in Figure 3.2.

Federal law requires SANDAG to develop a regional transportation plan built on reasonable assumptions of the revenues that will be available during the time period covered by that plan.

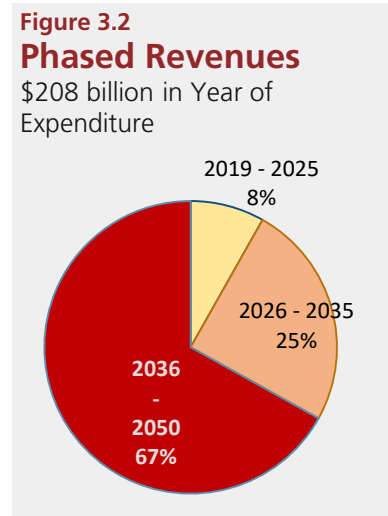
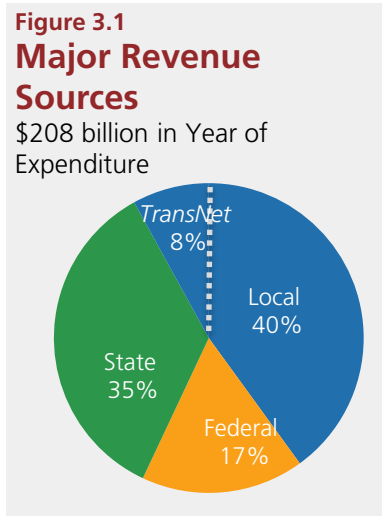


Table 3.1 outlines income sources within each revenue category. All revenues have been escalated to the year that the money will be spent, and they are based on the escalation factor appropriate for that specific revenue source.¹ It should be noted that the 2019 Federal RTP includes assumptions for new fund sources at the local, state, and federal levels. These include a potential new local regional funding source, a new local transit measure, private investment, fees charged for the number of miles driven by cars and trucks, and a new federal gas tax. The actual timing and amount of these new fund sources may vary from what is assumed, given how new fund sources have been approved at various times over the past several decades. However, it is reasonable to assume that new fund sources will continue to be established in the future. None of the new fund sources are assumed to begin prior to 2024, with the exception of the Future Metropolitan Transit System (MTS) Local Revenues for Transportation, which is estimated to begin in 2021. MTS is considering placing a tax measure on the ballot in 2020. The Future MTS Local Revenues for Transportation would be contingent on that ballot measure passing.

Table 3.1
Revenue Sources

	Estimated Revenues (in millions of YOE ^a dollars)			Total
	FY 2019-2025	FY 2026-2035	FY 2036-2050	
<i>Local</i>				
TransNet	\$2,364	\$4,472	\$10,195	\$17,031
TransNet (Bond Proceeds)	\$727	\$0	\$0	\$727
Transportation Development Act	\$1,372	\$2,579	\$5,551	\$9,502
Developer Impact Fees	\$139	\$250	\$462	\$851
City/County Local Gas Taxes	\$596	\$728	\$1,044	\$2,368
General Fund/Miscellaneous Local Road Funds	\$1,633	\$3,005	\$6,551	\$11,189
Future Local Revenues for Transportation	\$449	\$5,366	\$12,234	\$18,049
Future MTS Local Revenues for Transportation	\$364	\$3,829	\$5,248	\$9,441
Toll Road Funding (I-5/I-15/SR11/241)	\$0	\$0	\$9,073	\$9,073
Public Private Partnerships/Transit Oriented Development	\$3	\$1,427	\$2,279	\$3,709
FasTrak® Net Revenues	\$107	\$228	\$593	\$928
Passenger Fares	\$1,301	\$3,815	\$6,812	\$11,928
Motorist Aid Services - Call Box Program	\$46	\$61	\$94	\$201
SB 1 Local Streets and Roads	\$585	\$1,372	\$3,120	\$5,077
	Subtotal	\$9,686	\$27,132	\$63,256
			\$63,256	\$100,074
<i>State</i>				
Active Transportation Program	\$99	\$185	\$519	\$803
State Transportation Improvement Program/Traffic Congestion Relief Program	\$252	\$673	\$1,395	\$2,320
State Transit Assistance Program	\$260	\$432	\$1,088	\$1,780
State Highway Account for Operations/Maintenance	\$1,793	\$3,943	\$10,751	\$16,487
Future State Revenues for Transportation	\$0	\$3,586	\$10,823	\$14,409
Cap-and-Trade	\$436	\$959	\$2,660	\$4,055
State FASTLANE	\$185	\$411	\$1,035	\$1,631
State Managed Federal Programs	\$298	\$1,263	\$3,274	\$4,835
High-Speed Rail	\$0	\$0	\$16,076	\$16,076
Freeway Service Patrol	\$31	\$47	\$80	\$158
SB1 Programs (Solutions for Congested Corridor, Freight, Active, Local Partnership, State of Good Repair, TIRCP, SRA)	\$817	\$2,729	\$5,893	\$9,439
	Subtotal	\$4,171	\$14,228	\$53,594
			\$53,594	\$71,993
<i>Federal</i>				
Federal Transit Administration Discretionary	\$671	\$4,271	\$7,676	\$12,618
Federal Transit Administration Formula Programs	\$759	\$1,916	\$3,550	\$6,225
Congestion Mitigation and Air Quality/Regional Surface Transportation Program	\$413	\$1,408	\$4,044	\$5,865
Federal Highway Administration Discretionary	\$76	\$120	\$222	\$418
Other Financing (Grant Anticipation Notes)	\$310	\$0	\$0	\$310
Future Federal Revenues for Transportation	\$337	\$2,295	\$5,690	\$8,322
Federal Railroad Administration	\$11	\$65	\$149	\$225
Corridors and Borders Infrastructure/Other Freight Funds	\$44	\$309	\$961	\$1,314
TIFIA Loan Proceeds	\$537	\$0	\$0	\$537
	Subtotal	\$3,158	\$10,384	\$22,292
			\$22,292	\$35,834
Grand Total Revenue Sources	\$17,015	\$51,744	\$139,142	\$207,901

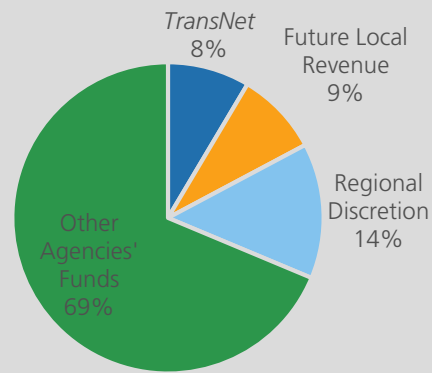
^a Year of Expenditure (YOE)



Also, certain funds can only be used for certain projects. For example, *TransNet* sales tax revenue can only be used for specific projects and programs.² Some funds will become available on a yearly, ongoing basis; others will be delivered in a single payment. The timing also can depend on when the state Legislature and federal government pass their budgets. All of this means that scheduling projects can be tricky. And certainly, not all the projects in the 2019 Federal RTP can be built at once.

SANDAG, as an agency, has purview over a relatively small portion of the overall funds included in the 2019 Federal RTP, and therefore must continue to work creatively on how best to leverage the available dollars (Figure 3.3). We have further constraints on when money becomes available during the lifespan of the 2019 Federal RTP, and we also have constraints on which dollars stay with SANDAG and which dollars are distributed directly to other agencies to maintain, operate, and rehabilitate the transportation network. For example, the majority of the funds included in the 2019 Federal RTP are distributed directly to agencies such as Caltrans and the transit agencies for highway and transit operations and maintenance needs, as well as the cities and County for their local streets and roads.

Figure 3.3
2019 Federal RTP Funding Distribution



Our Investment Plan for Transportation: A Brief Analysis

Table 3.2 and Figure 3.4 summarize the nearly \$208 billion in transportation expenditures included in the investment plan.³ Regardless of which agencies expend the funds (as described above), here's an overall breakdown of how this money will be spent:

- 47 percent is for public transit (33% for capital projects and 14% for operations)
- 18 percent is for Managed Lanes and connectors capital projects, including those that support public transit
- 13 percent is for improvements to local streets and roads and rail grade separations
- 8 percent is for rehabilitating highways and making them work more efficiently
- 6 percent is for other highway lanes and connector improvements
- 3 percent is for servicing debt
- 3 percent is for projects that promote walking and biking,⁴ as well as smart growth
- 2 percent is for managing the overall transportation network and the demands on it to make it more efficient⁵

More than a third of total expenditures is designated for the operation, maintenance, and rehabilitation of transit, highways, and local streets and roads.

Figure 3.4
Major Project Expenditures

Nearly \$208 billion in year of expenditures (YOE) dollars

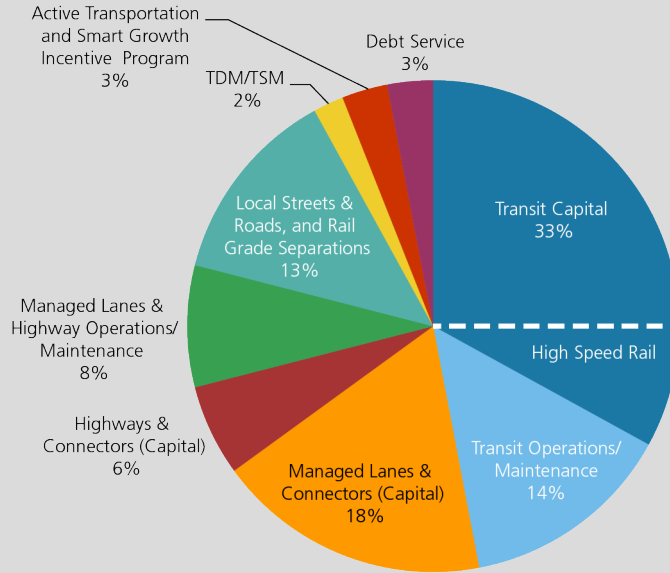


Table 3.2
Major Expenditures by Mode

Project Categories	Estimated Expenditures (in millions of YOE dollars) ^a			
	FY 2019-2025	FY 2026-2035	FY 2036-2050	Total
<i>Transit Facilities</i>				
Major New Facilities	\$3,654	\$11,929	\$25,824	\$41,407
Miscellaneous Capital/Rehabilitation/Replacement	\$798	\$3,843	\$6,839	\$11,480
Transit Operations	\$3,138	\$8,011	\$15,309	\$26,458
ADA and Specialized Transportation Services ^b	\$314	\$801	\$1,531	\$2,646
High-Speed Rail	\$0	\$0	\$16,076	\$16,076
Subtotal	\$7,904	\$24,584	\$65,579	\$98,067
<i>Managed Lanes and Highway Improvements</i>				
Managed Lanes and Connectors	\$2,013	\$10,449	\$25,338	\$37,800
Highways, Connectors, and Operational Improvements	\$213	\$1,240	\$11,279	\$12,732
Operations / Maintenance / Rehabilitation	\$1,750	\$3,697	\$10,180	\$15,627
Subtotal	\$3,976	\$15,386	\$46,797	\$66,159
<i>Local Streets and Roads (Capital, Rehabilitation, and Operations/Maintenance)</i>				
Local Streets and Roads	\$2,878	\$7,140	\$16,061	\$26,079
Subtotal	\$2,878	\$7,140	\$16,061	\$26,079
<i>Debt Service</i>				
Debt Service	\$963	\$1,859	\$4,313	\$7,135
Subtotal	\$963	\$1,859	\$4,313	\$7,135
<i>Active Transportation/Systems Management/Demand Management</i>				
Smart Growth Incentive Program	\$48	\$93	\$231	\$372
Regional Rail Grade Separations	\$0	\$0	\$720	\$720
Active Transportation Program	\$772	\$1,826	\$3,628	\$6,226
Transportation Systems and Demand Management	\$474	\$856	\$1,813	\$3,143
Subtotal	\$1,294	\$2,775	\$6,392	\$10,461
Grand Total Cost	\$17,015	\$51,744	\$139,142	\$207,901

^a Year of Expenditure (YOE)

^b ADA and Specialized Transportation Services costs represents 5 percent each of the total transit operations cost (10 percent total)



The Regional Transportation Plan's major funding sources

Local Revenues

TransNet Half-Cent Local Sales Tax

The countywide transportation sales tax *TransNet*, which was first approved in 1987, funded major transit and highway projects. It also funded improvements to local streets and roads, as well as bike and pedestrian facilities. In November 2004, San Diego County voters approved an extension of *TransNet* from 2008 to 2048. The *TransNet* extension became effective in April 2008. The revenues included in the 2019 Federal RTP are based on actual receipts to FY 2018, and they assume an annual increase based on the growth in taxable retail sales based on a consensus of three independent national forecasts⁶. The amount estimated to be available through 2050 is two years beyond the current expiration of 2048; however, it is assumed that voters will approve the tax beyond 2048.

To make the program's benefits available more quickly, the SANDAG Board of Directors approved jump-starting several regional transportation projects by implementing the *TransNet* Early Action Program (EAP). The agency has issued bonds under the *TransNet* extension that so far amount to about \$2.2 billion. These bonds support the accelerated delivery of major transit and highway projects across the region. The EAP strategy was to borrow against future *TransNet* revenues, in order to leverage additional federal and state funds. The goal is to complete these projects early, and therefore give people more travel choices as soon as possible.

The *TransNet* extension includes some added features over the initial program. It supports an innovative \$850 million environmental mitigation program to offset biological impacts of future transportation improvements, while at the same time reducing overall costs and accelerating the delivery of projects. The extension also provides for a \$280 million smart growth incentive fund. In addition, another \$280 million is slated for bike paths and facilities, pedestrian improvements, neighborhood safety projects, and the Regional Bike Plan EAP. These funds are leveraged to access other funding sources.

The goal is to complete these projects early and give people more travel choices as soon as possible.

Developer Impact Fees

An element of the *TransNet* Ordinance requires the region's 18 cities and the County of San Diego to collect an exaction from the private sector for each new housing unit constructed in their jurisdiction. The Regional Transportation Congestion Improvement Program (RTCIP) has been in effect since July 1, 2008. SANDAG adjusts the minimum fee amount on July 1 of each year, based on analysis of construction cost indices by no less than 2 percent. The purpose of the adjustment is to ensure that the RTCIP retains its purchasing power to improve the regional arterial system. At its February 22, 2019, meeting, the SANDAG Board voted to increase the fee to \$2,533 beginning July 1, 2019.

Transportation Development Act (TDA) Quarter-Cent Sales Tax

By state statute, TDA funds may be used for transit operating or capital purposes, but they are not eligible for use on non-transit-related improvements to highways or local streets and roads. Future year estimates are based on the same growth in taxable retail sales as projected for *TransNet*.

Local Gas Tax/General Fund

The local agencies receive direct subsidies from the state in the form of gas tax subventions. These subventions are based on a formula derived from the Assembly Bill 105 (2011) fuel tax swap, which considers future fuel consumption, the federal tax rate, and the swap rate. Due to the continued improvement in fuel efficiency in vehicles, gas tax revenues are projected to decrease by about 2 percent annually over the 2019 Federal RTP period. The category General Fund represents road expenditures the agencies spend from their general fund or other local revenues. The data are derived from the annual State Controller's report, and it's estimated to grow by about 3 percent annually.

Future Local Revenues

A provision in the *TransNet* Extension Ordinance specified that "SANDAG agrees to act on additional regional funding measures (a ballot measure and/or other secure funding commitments) to meet the long-term requirements for implementing habitat conservation plans in the San Diego region, within the timeframe necessary to allow a ballot measure to be considered by the voters no later than four years after passage of the *TransNet* Extension." A component of the future ballot measure is to fund transit operations. The SANDAG Board placed Measure A on the ballot in 2016 but it was narrowly defeated at the polls. The Board will continue to periodically reassess the timing of a new measure. Using the existing *TransNet* program as the basis for estimating revenues, the assumption is that about a quarter-cent of the sales tax would fund transit projects. These revenues are assumed to begin in 2025. The rate of growth assumed is the same as with *TransNet* and TDA.

Assembly Bill 805 (Gonzalez), enacted in 2017, authorized local transit agencies to impose a specified transaction and use tax for public transit purposes. MTS is currently considering placing such a tax measure on the ballot in 2020. It is assumed to be a half-cent sales tax beginning in 2021 with a growth rate assumed to be the same as with *TransNet* and TDA.



Public-Private Partnerships/Transit Oriented Development

Public-private partnerships are contractual agreements between a public agency and a private sector entity that allow for greater private sector participation in the delivery and financing of transportation projects. These partnerships are becoming more common and can potentially accelerate project delivery and enhance innovation, while reducing risk for the public and leveraging private funds and financing. In recent years, as public funds have become tighter and the need for infrastructure has expanded, governments have developed a growing interest in public-private partnerships. These revenues are related to transit-oriented development on publicly owned properties, and additional private investment opportunities in transportation and joint-use facilities. The 2019 Federal RTP assumes that SANDAG will enter into these types of agreements beginning in 2025.

Passenger Fares

These revenues are what passengers pay to ride on public transit, and they help support transit operations. The revenues through FY 2022 are based on the short-term budgets as estimated by the two transit agencies –MTS and the North County Transit District. The farebox recovery ratio, assumed at 35 percent, is continued through the life of the 2019 Federal RTP.

Other Local Revenues

Other locally generated revenues include toll road funding, FasTrak revenues, and motorist aid services. Toll road revenues are based on the planned Managed Lanes and would help off-set operational costs and transit services.

Contributions from Tribal Governments

Tribal Governments make contributions toward improvements on regional arterials and county roads, and investments in shuttles connecting regional transit to Tribal Lands, and facilities to support carpools and vanpools.

State Funding

State Transportation Improvement Program

State funding for transportation improvements comes from taxes on gas and diesel fuels, truck weight fees, and other sources. These funds are distributed by the state to the region through the State Transportation Improvement Program (STIP), which is administered by the California Transportation Commission (CTC).

Beginning with the 1998 STIP, a greater share of the STIP was made available to regional agencies such as SANDAG. This gave regional agencies the flexibility to better determine how funds should be used. Overall, transportation funding has fluctuated significantly as the economy has gone through ups and downs. For example, the 1998, 2000, and 2002 STIP cycles were built on optimistic funding scenarios, but these were followed by a severely constrained STIP cycle in 2004.

The landmark transportation infrastructure bond, Proposition 1B, injected much needed revenues in the middle of the 2006 STIP cycle. With these revenues came some relief to transportation funding at a time when improvements were badly needed. This infusion was short-lived, however, as the Great Recession beginning in 2007 led to flat and even declining gas tax revenues. Interestingly, gas tax revenues also have fallen with the increased number of vehicles on the road that are more fuel efficient or use alternative sources of energy such as electricity. All these changes have impacted STIP cycles from 2008 through 2016.

California's economy has improved in recent years and the state budget has stabilized, but transportation funding continues to be strained. Traditional sources of funding that pay for transportation improvements have not kept pace with the demands of a growing population and an aging transportation system. In its 2014 Annual Report, the CTC urged the Governor and the Legislature to address near-term funding needs to preserve the existing transportation system. The report notes: "For over a decade the Commission has implored the Legislature and the Administration to address this dire situation. No longer do we have the luxury of time; definitive and non-partisan action is required immediately to ensure the economic stability and public safety of the people we serve."

After years of advocating for a solution to the state's transportation funding crisis, the Legislature passed and the Governor signed SB 1 (Beall, 2017), also known as the Road Repair and Accountability Act of 2017, increasing transportation funding and instituting program reforms. SB 1 provided the first significant, stable, and on-going increase in state transportation funding in more than two decades. The revenue generated by all gasoline taxes and additional fees created by SB1 are constitutionally protected, which guarantees these funds can only be used for transportation purposes. The legislation also emphasized a commitment to accountability and transparency by holding Caltrans and local governments accountable for the investment of these public funds to maintain public highways, streets, and roads. Further details on the funding programs created by SB1 are discussed below.

Traditional sources of funding that pay for transportation improvements have not kept pace with the demands of a growing population and an aging transportation system.

State Highway Operation and Protection Program (SHOPP)

The CTC also is responsible for allocating funds to this program, which the state administers. State law requires that these expenditures be given priority over new construction, and they are funded “off the top” of the State Highway Account. Caltrans develops a SHOPP ten-year plan from which projects are prioritized and selected during SHOPP updates.

Road Repair and Accountability Act (Senate Bill 1)

On April 28, 2017, Senate Bill 1 (SB 1) (Beall) was signed into law. SB 1 is a transportation funding package with investments primarily targeted toward fix-it-first infrastructure projects. Among its provisions, SB 1 provides an increase in local streets and roads funding for each city and county, funding for multi-modal improvements and transit operations, and competitive grant programs to provide new transportation improvements.

SB 1 augmented funding for three existing programs, including the Active Transportation Program (ATP), SHOPP, and STIP. These programs fund projects to encourage biking and walking; capital improvements related to safety, maintenance, operation, and rehabilitation; and highway and transit improvements, respectively. Other programs established through SB 1 include the Local Partnership Program, which provides funding to agencies in which voters have approved fees or taxes solely dedicated to transportation; Trade Corridor Enhancement Program, funding infrastructure on trade corridors; Local Streets and Roads Program, providing funds to cities and counties for basic road maintenance; and Solutions for Congested Corridors, funding projects designed to reduce congestion in highly traveled corridors. Most SB 1 programs are awarded on a competitive basis; therefore, growth rate assumptions are based primarily on prior award experience and the anticipated percent of the typical regional share.



Future State Revenues for Transportation

As noted earlier, some of the options for funding transportation include a mileage-based user fee. In 2013, the State of Oregon passed Senate Bill 810, establishing the nation's first mileage-based user fee revenue program for light vehicles and has been using this volunteer-based program since 2015. Other states around the country, including the State of Washington, are studying the potential of a mileage-based user fee as a transportation funding source that may replace or supplement the current gas tax.

Senate Bill 1077 (SB 1077) (DeSaulnier), enacted in 2014, authorized an advisory committee to study and develop similar options that was implemented as a pilot project in 2017. Pursuant to SB 1077, the [CTC](#), in conjunction with the [California State Transportation Agency \(CalSTA\)](#), established a 15-member Technical Advisory Committee (TAC) that studied all aspects of road charging, with an emphasis on certain mandated considerations such as privacy, data security and a host of technology implications. The TAC prepared and submitted to CalSTA official recommendations for the design of the live road charge pilot demonstration that concluded on March 31, 2017.

High-Speed Rail

The Governor and the state have committed to building a high-speed rail system. Senate Bill 1029 (Hancock, 2012) appropriated \$8 billion in federal and state funds to construct the first segment of the high-speed rail in the Central Valley. Based on the current plan, the first phase of the system will run from San Francisco to the Los Angeles basin. The line will be extended north to Sacramento and south to San Diego. There is no specific timeline for the San Diego segment, so the 2019 Federal RTP assumes that the San Diego segment may be built toward end of the 2019 Federal RTP period.⁷

Other State Funds

Other funds administered by the state include the ATP for non-motorized projects, the Cap-and-Trade Program, the State Transit Assistance program dedicated to public transit operations and capital support, the FASTLANE Grants program for freight projects and state managed federal programs such as the Highway Bridge Program and the Highway Safety Improvement Program.



SANDAG is collaborating with other regional agencies, transportation providers, organizations, and associations statewide to develop a set of principles for the next federal surface transportation authorization.

Federal Funding

SANDAG is working toward the completion of federally-funded transportation projects, while also seeking additional discretionary funding for improved transportation infrastructure at the border, major transit projects, and other transportation improvements. The Fixing America's Surface Transportation (FAST) Act was signed by President Obama in 2015 and continued many of the provisions of the previous authorization, the Moving Ahead for Progress in the 21st Century Act. With the FAST Act due to expire in 2020, the agency continues to work with regional, state, and national partners toward a long-term highway authorization replacement.

SANDAG is collaborating with other regional agencies, transportation providers, organizations, and associations statewide to develop a set of principles and recommended funding levels for the next federal surface transportation authorization. The effort to build support for these principles continues, so that California can present a clear and unified position as federal legislation is developed.

The Highway Trust Fund, which is the source of most federal funding for the nation's roads and transit infrastructure, has seen revenues fall short of expenditures for more than a decade. Drawing down trust fund balances and transferring money from the general fund have served as temporary fixes, but these measures have not addressed the underlying challenge of declining revenues from the federal fuel excise tax which has not seen an increase since 1993 and is not indexed to inflation. The FAST Act provided \$70 billion in general funds transfers to the Highway Trust Fund from Fiscal Year 2016 through Fiscal Year 2020. Projections indicate that Congress would need to provide \$94 billion over the next five years merely to maintain FAST Act spending levels that are generally considered inadequate. The American Society of Civil Engineers estimates a \$1.1 trillion shortfall between the need for surface transportation improvements and the estimated funding available. As with the state funds, the 2019 Federal RTP assumes several potential options, such as an increase in the federal fuel tax on gasoline.

While these negotiations on the infrastructure funding measure are underway, the 2019 Federal RTP assumes continuation of the various funding programs as well as new federal revenue sources based on discussions and actions by Congress.

Federal Transit Administration (FTA) Programs

The 2019 Federal RTP assumes that the formula programs – Sections 5307, 5337, 5339, 5310, and 5311 – will continue. The majority of these funds are passed through to the two transit agencies while others also are passed through to social services transportation providers. The 2019 Federal RTP also includes assumptions of discretionary funding for both large scale projects under the New Starts Program, and smaller projects under the Small Starts program.

The 2019 Federal RTP also includes the use of Grant Anticipation Notes backed by the FTA New Starts Program, specifically for the Mid-Coast Trolley project. This project was awarded a Full Funding Grant Agreement under the New Starts Program. Due to the anticipated long duration to fully appropriate all the New Starts funds, SANDAG plans has securitized the FTA funds in order to complete the project.

Federal Highway Administration (FHWA) Programs

As with the FTA formula programs, the 2019 Federal RTP assumes the continuation of the FHWA formula programs, which include the Congestion Mitigation and Air Quality Improvement program and the Regional Surface Transportation Block Grant Program. Discretionary funds are included in the near term for awarded funding; however, the 2019 Federal RTP assumes that any additional discretionary funds would become available beginning in 2025.

Future Federal Revenues for Transportation

Federal lawmakers continue to discuss approaches for a long-term, sustainable transportation bill. The federal gas tax has not been increased since 1993, and it has not been indexed for inflation. As a result, the Highway Trust Fund has been running on empty. Congress does recognize the crisis and various proposals have been introduced and discussed. In the meantime, the 2019 Federal RTP assumes that a potential increase to the federal gas tax, beginning in 2024, will be conservative.

Addressing Potential Funding Shortfalls

Planning for investments funded with anticipated income can be challenging. Table O.1 in Appendix O: Transportation Financial Background reviews each revenue source, the risks associated with relying on them for projects, and what can be done if anticipated revenues fall short. Although the revenue forecast is based on trends for existing revenue sources as well as reasonable assumptions about potential changes in the future, occasionally there are significant changes that cannot be easily predicted. These include economic downturns and the approval of new funding sources. Fortunately, the Regional Transportation Plan is reviewed and updated every four years to take into account these changes, and to make the necessary adjustments to the timing and availability of revenues to pay for projects.

State Route 125

SANDAG entered into a 40-year franchise agreement with Caltrans in December 2011 to manage and operate the State Route 125 (SR 125) South Bay Expressway Toll Facility. The SR 125 Toll Road is a 10-mile, traditional toll facility that lies on the southernmost portion of SR 125. The program is managed to be financially self-sufficient, with all management, operating, and debt service expenses being paid for from toll revenue generated on the facility. Revenues are generated from tolls, toll related activities, and interest. Table 3.3 displays the projected revenues and costs associated with this facility. Once the debts for the facility are paid off, toll revenues must be used for maintenance, operations, and transit within the corridor.⁸

Table 3.3

SR 125 South Bay Expressway Toll Facility: Projected Revenues and Costs

Financial Model (In Millions, 2019)	2019-2025	2026-2035	2036-2043	Total
Total Revenues	\$338.9	\$619.5	\$604.9	\$1,563.3
Operating Expenses	\$107.8	\$235.0	\$269.2	\$612.0
Major Maintenance Reserves	\$133.9	\$245.0	\$241.4	\$620.3
Debt Service	\$97.2	\$139.5	\$94.3	\$331.0

Future Needs

What if our region had an unlimited budget? SANDAG considered this too, in order to get a clear-eyed view of what the region is actually expected to need in the years leading up to mid-century. This “Unconstrained Needs Analysis” provided a cost estimate for additional projects, programs, and services that would meet our transportation demands through 2050. This included the costs for operating, maintaining, and rehabilitating the transportation system regionwide.

Obviously, this would cost more than our actual investment plan, but it’s worth looking at because it shows the total actual needs for the region (See Table A.5 in Appendix A).⁹

Looking Ahead

In the next chapter, we'll review the benefits of the 2019 Federal RTP. Many of these benefits come from the transportation, smart growth, and environmental mitigation investments discussed in Chapter 2. These are benefits for people throughout the region, regardless of where they're from, their economic circumstances, or their background. The 2019 Federal RTP was created to achieve gains across our region, enhancing the quality of life for all of us.



Endnotes

- ¹ For more details about each source of funding, see Appendix O: Transportation Financial Background.
- ² *TransNet* Extension Ordinance and Expenditure Plan Commission Ordinance 04-01. Section 16 of the Ordinance “lock-boxes” some projects such as State Route 76 and the Mid-Coast light rail line by providing that these projects cannot be removed from the Expenditure Plan without a vote by the electorate.
- ³ A list of projects in our investment plan can be found in Appendix A: Transportation Projects, Costs, and Phasing.
- ⁴ The ATP includes the Regional Program, Local Bike Projects, Local Pedestrian/Safety/Traffic Calming, and Safe Routes to School.
- ⁵ Please see Appendix E for a more detailed breakdown of the Transportation Systems Management and Transportation Demand Management expenditures by phase.
- ⁶ A consensus (simple average) of three independent national forecasts of real rates of growth in per-capita retail sales (nationally recognized forecasts by IHS Global Insight, Moody’s, and California Economic Forecast/Caltrans).
- ⁷ High-speed Rail (HSR) is not a proposed Regional Plan project. Its funding and implementation will be determined by the State of California rather than by entities within this region. However, its revenues and expenditures are included in the Regional Plan because the HSR segment between Los Angeles and San Diego, via the Inland Empire, is expected to provide connectivity for the San Diego region with the rest of the state. Therefore, it is an integral part of the planned transportation infrastructure for our region.
- ⁸ Streets and Highways Code section 143.1(b).
- ⁹ A list of these unconstrained projects is shown in Appendix A.