Transportation Funding

- Can be confusing - mix of ingredients (sources), acronyms, changing rules, & rollercoaster
Public Funding Basics

1) Legislation Actions
   -> taxes, fees -> funding programs/sources

2) Revenues Collected

3) Rules & priorities set (program guidelines)

4) Projects identified & funds secured
   ("programmed" & budgeted)

5) Projects implemented

6) Invoices & Audits
Primary Sources

- Federal: 10-20%
- State: 30-35%
- Local: 50-60%
- Local taxes & fees
Major Sources
Transportation Funds

- Truck Weight Fees
- State Fuel Excise Tax
- State Diesel Sales Tax
- Retail Sales Tax (State (1/4%) Local (1-1.5%))
- State & Local Government
- Federal Fuel Excise Tax
- Federal Leg.
- Airport Fuel & Fees
- DMV Fees
- Cap & Trade

- Currently diverted to pay bond debt service

State Highway Account (STIP, SHOPP, SB1 +)
Public Transportation Account
Transportation Development Act (TDA) and local sales tax
Other federal, state, & local revenues
Federal Highway Trust Fund (HHR, STP, TAP)
& Transit Trust Fund (FTA Programs)
Earmarks, Rail Programs, Other
Aeronautics Account

AB 2766
SB1
TRANSIT
CALL BOX
FREEWAY SERVICE PATROL

- BUS
- BIKE
- PED
- RAIL
Fuel Taxes have not kept up with miles driven

- Vehicle Miles Traveled
- Gas Consumption with Increased Efficiency

VMT Growth

Revenue Loss Due to Increased Fuel Economy
Funding can be unstable & unpredictable
New STIP Funds (per cycle - statewide)

New Funds (in $ thousands)


STIP Cycle

- $1,000,000

$0

$1,000,000

$2,000,000

$3,000,000

$4,000,000

$5,000,000

Prop 1B

PTA -> STA

TE -> ATP

SB 1
Game changers – fill some of gap

- 2016 Measure D Sales Tax
  - Over 2/3rd of Santa Cruz County voters
  - Revenues first collected 5 years ago (April 2017)
- 2017 State Legislature approved SB1
- 2021 Congress Approves Infrastructure Investment and Jobs Act (IIJA)
The Road Repair and Accountability Act of 2017

- Stabilized & increased state transportation funding – indexed gas tax, increase fees
- $ for highway & local road maintenance, transit & capital projects

<table>
<thead>
<tr>
<th>Funding/yr</th>
<th>Program</th>
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</thead>
<tbody>
<tr>
<td>$1.9 billion</td>
<td>State Highway Maintenance and Rehabilitation (SHOPP)</td>
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<tr>
<td>$1.5 billion</td>
<td>Local Street and Road Maintenance and Rehabilitation</td>
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<tr>
<td>$750 million</td>
<td>Transit Operations and Capital</td>
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<tr>
<td>$300 million</td>
<td>Trade Corridor Enhancement Program</td>
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<tr>
<td>$250 million</td>
<td>Solutions for Congested Corridors Program</td>
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<tr>
<td>$200 million</td>
<td>Local Partnership Program</td>
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<tr>
<td>$100 million</td>
<td>Active Transportation Program</td>
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<tr>
<td>$110 million</td>
<td>State Transportation Improvement Program</td>
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<tr>
<td>$25 million</td>
<td>Local Planning Grants</td>
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<tr>
<td>$80 million</td>
<td>Parks, Off-Highway Vehicle, Boating, and Ag Programs</td>
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<tr>
<td>$25 million</td>
<td>Freeway Service Patrol Programs</td>
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<tr>
<td>$7 million</td>
<td>California University Transportation Research Program</td>
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</table>
# 2045 RTP FINANCIAL ELEMENT: Funding projections through 2045

(all figures in $000's)

<table>
<thead>
<tr>
<th>REVENUE SOURCES/PROGRAMS</th>
<th>Funding Mechanism</th>
<th>Funding Type/ Eligible Uses</th>
<th>Base Year</th>
<th>25 Year Total - Not Escalated</th>
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</thead>
<tbody>
<tr>
<td>City Sales Taxes Used on Transportation</td>
<td>Dedicated-Local</td>
<td>Local Streets-Roads</td>
<td>$ 1,950</td>
<td>$ 48,750</td>
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<tr>
<td>City/County Developer Fees</td>
<td>Dedicated-Local</td>
<td>Local Streets-Roads</td>
<td>$ 1,400</td>
<td>$ 35,000</td>
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<td>City/County General Funds for Transportation Projects</td>
<td>Dedicated-Local</td>
<td>Local Streets-Roads</td>
<td>$ 12,350</td>
<td>$ 308,750</td>
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<td>Non-Profit, Member Fees, Sponsorships, Private Donations</td>
<td>Dedicated-Local</td>
<td>Project Specific</td>
<td>$ 575</td>
<td>$ 14,375</td>
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<tr>
<td>Gas Tax (HUTA) or Gas Tax Replacement</td>
<td>Dedicated-Local</td>
<td>Local Streets-Roads</td>
<td>$ 10,350</td>
<td>$ 258,750</td>
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<td>RMRA Local Gas Tax</td>
<td>Dedicated-Local</td>
<td>Local Streets-Roads</td>
<td>$ 7,469</td>
<td>$ 186,725</td>
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<td>LiftLine Specialized Transportation – Non-TDA revenue</td>
<td>Dedicated-Local</td>
<td>Transit</td>
<td>$ 550</td>
<td>$ 13,750</td>
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<td>Airport Revenues</td>
<td>Dedicated-Local</td>
<td>Airport</td>
<td>$ 2,800</td>
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<td>MTC Contribution to Hwy 17 Safety Project (Santa Cruz County)</td>
<td>Dedicated – Safe on 17 CHP</td>
<td>Project Specific</td>
<td>$ 50</td>
<td>$ 1,250</td>
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<tr>
<td>NEW: SB743 VMT Fee</td>
<td>Discretionary</td>
<td>Flexible</td>
<td>$ 1,900</td>
<td>$ 1,900</td>
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<td>Regional Vehicle Registration Fee (VRF)</td>
<td>Discretionary</td>
<td>Local Streets-Roads</td>
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<td>Transit Fares</td>
<td>Dedicated-Transit</td>
<td>Transit</td>
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<td>Transit non-fare revenue</td>
<td>Dedicated-Transit</td>
<td>Transit</td>
<td>$ 660</td>
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<td>Transit fuel tax credit</td>
<td>Dedicated-Transit</td>
<td>Transit</td>
<td>$ 400</td>
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<td>Transit Sales Tax (Measure G)</td>
<td>Dedicated-Transit</td>
<td>Transit</td>
<td>$ 25,000</td>
<td>$ 625,000</td>
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<td>Local Transportation Fund (LTF)/Transportation Devt Act (TDA)</td>
<td>Dedicated-Local</td>
<td>Transit</td>
<td>$ 10,700</td>
<td>$ 267,500</td>
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<td>UCSC Revenues &amp; Fees (Santa Cruz County)</td>
<td>Dedicated - UCSC</td>
<td>Project Specific</td>
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<td>Transportation Sales Tax: Measure D</td>
<td>Dedicated-Local</td>
<td>Expenditure Plan</td>
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<td>$ 625,000</td>
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<tr>
<td>AB2766</td>
<td>Discretionary</td>
<td>Flexible</td>
<td>$ 429</td>
<td>$ 10,725</td>
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</table>
Most Existing Transportation Funds are Dedicated (Not flexible)

- About 80% can only be used on specific types of projects or by certain agencies.
Who Decides How Funds Used?

- Depends on the Funding Source
  - Local Streets & Road Funds (LSR): Cities/County
  - Local Transit & St/Fed Formula Funds – METRO and RTC
  - State Highway Operation and Protection Program – Caltrans & CTC
  - Measure D (2016): Voter-approved Expenditure Plan, then Recipient Agencies (cities, county, METRO, Lift Line, RTC) via 5-year plans
  - IIJA Formula Funds:
    - Feds, states, and some to regions & transit agencies (California typically splits highway funds 60/40 to state/local programs)
Who Decides How Funds Used?

- Competitive Grants – project sponsors submit applications
  - Active Transportation Program (ATP): CTC
  - SB1-Solutions for Congested Corridors Program (SCCP) & Local Partnership Program-competitive (LPP-c): CTC
  - Highway Bridge Rehabilitation Program (HBP) & Highway Safety Improvement Program (HSIP): Caltrans (fed rules)
  - Transit and Intercity Rail Capital Program (TIRCP): CalSTA
  - Federal Discretionary Programs: RAISE, FRA, FTA, FHWA +
  - Planning grants: Caltrans

- **RTC Discretionary Funds = only 4% (~$8M/year)**
  - State Transportation Improvement Program (STIP): RTC/CTC
  - Regional Surface Transportation Program (RSTPX): RTC
  - Some Transit funds
Funding Projects
What gets funded?

- Over $10B in projects
- Not enough $ for everything
- Establish Goals
- Identify Needs
- Identify Possible Funding Sources
- Prioritize Projects that advance goals
  - Based on plans & community support
- Secure Funding
- Implement Project
Applying for Grants
Considerations

- State, federal, regional & local goals, performance metrics & evaluation criteria
  - Special criteria/focus (e.g. safety, reducing VMT/GHG reduction, fix-it-first, safety, equity)
  - Ensure project scope and benefits align with criteria
- Project readiness and use deadlines
  - More competitive if done with environmental, “shovel-ready”, and have fewer delivery risks
- Cost – funds available and match
- Competitiveness (% of applications funded)
  - Cost to prepare application (hundreds to thousands of staff hours per application; $40k-$350K for larger apps)
Funding Local Streets & Roads

- State Gas Tax (HUTA & SB1 RMRA) ~$17.5M/year
- 2016 Measure D-Neighborhood ~$7M/yr
- City/County Taxes, General Fund, traffic impact fees, CSA ~$16M/year
- TDA-bike/ped
- Grants
  - Active Transportation Program (ATP)
  - Highway Safety Improvement Program (HSIP)
  - Highway Bridge Program (HBP)
  - RTC Discretionary Funds
- Cities/County decide specific projects to implement/pursue funds for
Bike & Pedestrian Projects

- Local: city/county funds, Measure D, TDA
- Grants:
  - Active Transportation Program (ATP)
  - Prop 68
  - HSIP
  - RTC Discretionary: STIP & RSTPX
  - SB1-SCCP/LPP
  - New IIJA: Safe Streets and Roads for All & Reconnecting Communities/Hwys to Blvds
- Cities/County set priorities identify projects
MBSTT/Coastal Rail Trail

- Building individual segments as funding available
  - Local: Measure D (17%), city, county
  - RTC Discretionary: STIP & RSTPX
- Grants:
  - State: Active Transportation Program (ATP), Coastal Conservancy, Prop 68
  - Federal: FLAP, possibly RAISE, MEGA
- Federal Earmarks
- Partnerships:
  - Cities, County, Land Trust, State Parks, BLM, Federal Highways, Caltrans, community
State Highways

- Local: Measure D, city & county funds
- State & Fed:
  - STIP
  - STBG/RSTPX
  - SHOPEP
  - SB1 grants: TCEP, SCCP, LPP
  - Federal grants: RAISE, MEGA/INFRA/Rural
- Complete Streets on Highways
  - Varies – local, SHOPEP, ATP, developer fees
Highway 1

- Aux Lanes/HOV EIR: RSTPX, STIP
- Aux Lanes/Bus-on-Shoulders/Ped Xgs
  - Measure D=pre-construction & match
  - SB 1 SCCP & LPP
  - RTC Discretionary funds: STIP, RSTPX
  - Seeking federal discretionary grants (RAISE, MEGA-rural)
State Highway Operation & Protection Program (SHOPP)

- Four Year - “Fix it First” & Safety Program
  - Repairs
  - Preservations
  - Safety Improvements
  - Operational Improvements
- Must fund projects according to the State’s Transportation Asset Management Plan (TAMP)
- Since 2020: Integrating more bike & ped
- Caltrans provides project updates at each RTC meeting

State Funds
Transit

- Local: METRO ½ cent, Measure D, rider fares, advertising
- State: STA, TDA, SB1-SGR
- Transit Formula Funds – FTA Sec. 5307, 5311, STIC, State of Good Repair
- Competitive grants
  - Paratransit: FTA5310
  - TIRCP
  - Fleet conversion
Transit Funds – RTC programs

- TDA-LTF (statewide ¼-cent sales tax) ~$10M
- STA- subject to state TDA rules
  - 50% based on transit revenues (to METRO)- $2.3M
  - 50% based on population (to RTC) - $2.4M
  - Mostly diesel sales tax
  - RTPAs responsible for distribution ($->SCO->RTC->transportation provider)
  - Avail. to pub trans and community transit programs
  - SB1 nearly doubled revenues
- SB1-SGR (State of Good Repair) - $770k FY22/23
- Low Carbon Transit Operations Program (LCTOP) (Cap & Trade) – *based on pollution credits sold*
- Priorities - RTP goals/targets, Transit Unmet Needs Lists & Coordinated Human Services Plan
Rail

- Measure D-Rail Category (8%)
- Short Line operations & leases
- Federal grants:
  - Fed Capital Investment Grant – FTA5309
  - Federal-State Partnership for Intercity Passenger Rail Program, Consolidated Rail Infrastructure and Safety Improvements Program (CRISI)
  - FRA: rail infrastructure, safety, crossing elimination, maintenance
  - RAISE (formerly TIGER/BUILD)
- State grants: TIRCP, SB1, State Rail Assistance
- Formula funds: STA, SGR, LPP-f
- New taxes and fees
RTC
Managed Funds
RTC Managed Transportation Funds

Transportation Funds SCCRTC Administers

Included in the Commission Budget
- Pass Through Funds
  - Measure D
  - TDA/STA
- Commission Programs/Projects
  - Highway
  - Traveler Info
  - FSP/SAFE (DMV fees)
  - Rail/Trail Authority
  - Planning

RTC Discretionary Funds
- STIP ($0-5M/yr)
- SB1-LPPf ($300k/yr) & HIP
- Transit-99313 (LCTOP, STA, SGR)
- RSTPX ($3.5M/yr)

Fund proposals from project sponsors
- City/County Projects
- Highway Projects
- Transit Projects
- RTC Programs & Projects
- Non-Profits, UCSC, others
RTC Process

- RTC may focus funds to certain types of projects
  - Also subject to state/fed rules/guidelines
- Evaluate project benefits, RTP goals, state & fed performance metrics and targets
  - Transit Unmet Needs List priorities
- Projects reviewed by Committees & Public
- RTC Selects (“programs” or budgets) Projects
  - Public hearing for some sources (Meas D, STIP, RSTPX, HIP)
  - RTIP: 5-year funding list of RTC discretionary grants
  - RTC Budget & Overall Work program for RTC programs
- Federal funds and capacity increasing projects: AMBAG’s MTIP
- LPP-f and STIP subject to CTC concurrence
Measure D: Expenditure Plan

- Neighborhood & Street Projects: 30%
- Transit & Paratransit: 25%
- Highway Corridors: 20%
- Rail Corridor: 17%
- Active Transportation: 8%
Requirements for Recipients (including RTC)

- Develop 5-year plan: update annually, following public hearing
- Track how funds spent
  - expenditure report & audit
- Ensure maintenance of effort (don’t supplant funds – do more)
- Track benefits - performance measures
- Inform public – public outreach and reports
Transportation Development Act (TDA)

- 1971 Legislation
- ¼ cent sales tax ($6-$10M/year) = Local Transportation Fund (TDA-LTF)
  - RTC uses some for TDA Admin & Planning
  - Balance to other agencies
    - Formula set by RTC Rules & Regulations
- TDA Claims for Funds
- Committees Review Projects
- Unmet Needs – hearing on transit needs
- TDA also requires triennial performance audit of RTC, METRO & CTSA (Lift Line)
- Monthly report on revenues in RTC packet
TDA - Pass Through Funds

Transportation Development Act (TDA):

- Metro: 85.5%
- LiftLine: 8.4%
- Local Bike/Ped: 5.1%
- Volunteer Center: 1%
State Transportation Improvement Program

What is the STIP?

- Combo of state of fed funds (mostly gas taxes) - managed by CTC
- Covers a 5 year period
- CTC adopts a Fund Estimate
  - 2010 -2017: dependent on price based excise tax, used to be combo of state and federal funds
  - SB1 replaced priced-based gas tax = about half the funds
- RTC share~$0-7M/year
- Programmed every two years (2 new years of funds each cycle)
- RTC program “regional shares” in Regional Transportation Improvement Program (RTIP)

How are STIP funds distributed?

25% to Interregional TIP - Caltrans
75% to Regional TIP – SCCRTC
Surface Transportation Block Grant (aka RSTPX)

- Federal gas tax formula $
  - $ per year: about $3.5 million
- What: Road/transit rehab, operational improvements, bike, ped projects
- County of Santa Cruz receives $224k directly
- Caltrans allows small counties to exchange $ for state funds (RSTPX), gives RTC check for annual amounts
  - RSTPX projects listed in RTC budget (budget & RTIP amendment)
  - RTC annual report to CT on payments to projects
Once $ Secured - Implement

HOW A PROJECT GETS BUILT

PROJECT INITIATION

ENGINEERING & ENVIRONMENTAL STUDIES

RIGHT OF WAY

DESIGN

CONSTRUCT PROJECT

Credit: MME+Structural Engineering
Filling Funding Gaps
Funds Still Needed

Available Revenue = \( \frac{1}{2} \) of Need
Existing Funds Insufficient

Needs: $10B

Funding Gap: ~$200M/year

Avail Funds: $200M/year
Transportation Needs Countywide
Backlog of Needs

- **METRO:**
  - Extra $20M/year for next five to address deferred maintenance
  - Bus fleet conversion to all ZEBs: $200-350M

- **Local Roads:**
  - Additional $10-20M/yr to maintain local roads
  - Backlog of local street/road maintenance exceeds $250 million (pavement=$150M)

- More potholes, bus shortages, fewer transportation choices
Growing Needs

- Accommodate population growth and housing and support local economy
- Address past & present inequities
- Climate Change
  - Reduce GHG/VMT
  - Resiliency/Adaptation
Potential New Fund Sources

- Replace gas tax with road user charge (State)
- Regional Traffic Impact/Developer Fees (nexus study and local jurisdiction adoption required)
  - Vehicle Miles Traveled (VMT) impact fees (SB743)
- Increase Transit fares (may impact ridership)
- VLF (% of vehicle value) or VRF increase (2/3 vote)
- Service Area fees (e.g. County CSA)
- Vehicle Registration Fees (SB83-$10/veh)
Potential New Fund Sources

- Sales Taxes (vote)
- Parcel/Property Tax (vote)
- Visitor tax – TOT (vote by jurisdiction)
- Real estate transaction fee
- Increased fines (parking & ticket)
- Payroll Taxes (nexus)
- Local gas tax (legislation, then 2/3 vote)
- Toll Roads (legislation)
- Private donations/grants or Public-Private Partnerships- P3 (Developers build facilities)
Conclusions

- Importance of local funds:
  - Local control/decision-making
  - State funds shrinking and unreliable
    - Decreased buying power of gas taxes

- Current funding not meeting all of needs
  - Need for new and alternative funding sources in the future
Want to Learn More?
RTC Budget

Annual Process

- Spring Adoption for next fiscal year
  - Estimates of TDA and Measure D for recipients’ budgets
- Fall Amendment
  - Includes carryover balances
- Other Amendments (as needed)
Fiscal Year reports

- Annual Internal Financial Statements
- Reports to Caltrans
- Audits
- Measure D Annual Reports to Taxpayer Oversight Committee
Programming Documents

- RTC’s Regional Transportation Improvement Program (RTIP) www.sccrtc.org/rtip
- MTIP, AMBAG
- CTC: catc.ca.gov
- Caltrans: dot.ca.gov
- CalSTA: calsta.ca.gov
Questions?