06

Image courtesy of Samer Mamani

CHAPTER 6 HIGHLIGHTS

PAYING FOR THE PLAN

In accordance with federal fiscal constraint requirements, this chapter and a more detailed appendix on our financial plan identify how much money SCAG reasonably expects will be available to support our region's surface transportation investments.

INTRODUCTION

The financially constrained 2016 RTP/SCS includes both a "traditional" core revenue forecast comprised of existing local, state and federal sources and more innovative but reasonably available sources of revenue to implement a program of infrastructure improvements that keeps freight and people moving. As in the past, the financial plan describes steps we can take to obtain needed revenues to implement the region's transportation vision.

The financial plan highlights the importance of finding new and innovative ways to pay for transportation, including our ever-expanding backlog of projects to preserve our existing transportation system. Nationally, we continue to face an insolvency crisis with the Federal Highway Trust Fund, as fuel tax receipts have declined precipitously. Similarly, the viability of California's State Highway Account remains in question, as only a fraction of our needs are funded through state sources. Our region continues to rely heavily on local sources of tax revenue. Seven sales tax measures in the region generate 71 percent of core revenues for transportation improvements.

It is vital that we find new ways to make transportation funding more sustainable in the long term, and efforts are underway to explore how we can transition from our current system based on fuel taxes to a more direct system based on user fees. Recent action by the state Legislature to launch the California Road Charge Pilot Program is a critical step in this transition.

In our region, numerous policy and technical studies have been conducted on the subject and more work is planned to examine and demonstrate the viability of user fee systems, including toll networks. Our region has successfully implemented toll systems in the past, with the Transportation Corridor Agencies' network of privately financed toll roads, the State Route 91 Express Lanes in Orange County and more recently with the express lanes along Interstate 10 and Interstate 110 in Los Angeles County.

The SCAG region has secured the necessary resources to support transportation investments detailed in past RTPs, and our current financial plan will continue to meet necessary milestones to implement the 2016 RTP/SCS. The following sections describe the financial assumptions and methodologies used for forecasting revenues and expenditures for transportation investments. Other SCS implementation costs are not included in this analysis.

ECONOMIC OUTLOOK AND KEY FINANCIAL ASSUMPTIONS

SCAG's financial model reflects historical growth trends and reasonable future expectations for key revenue sources. The inability of existing excise taxes to keep pace with increasing transportation needs and the impacts of increasing fuel efficiency on traditional revenue sources are key considerations in the financial plan.

INFLATION

Inflation can have a profound impact over the long-term time horizon of our Plan. SCAG's revenue model accounts for historical inflation trends, as measured by the Gross Domestic Product (GDP) Price Deflator.

FIGURE 6.1 shows the trends in inflation by the GDP Price Deflator. Although inflation rates have varied considerably over time, they have generally trended between two and four percent. Accordingly, a 2.4 percent inflation rate is used to adjust constant dollar (revenue) forecasts into nominal (year-of-expenditure) dollars.

CONSTRUCTION COST INCREASES

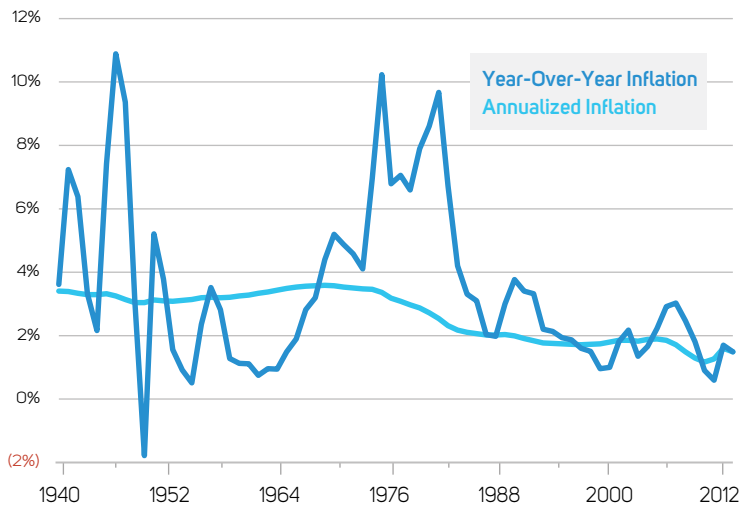
The rise in construction costs can further erode the purchasing power of transportation revenues. FIGURE 6.2 shows the increase and decline in California highway construction costs since the early 1970s. While recent corrections have slowed the longer-term increase in costs, the growth still remains above general inflation. The financial plan uses a 3.2 percent annual inflation factor to estimate future and nominal (year-of-expenditure) costs.

RETAIL SALES GROWTH

Changes in personal consumption patterns and the overall population are main contributors to the growth in retail sales. Over the 30-year period from FY1981-82 to FY2011-12, statewide retail sales grew by 1.8 percent in real terms (when the effects of inflation are eliminated). The financial plan assumes retail sales growth ranging from 1.8 percent to 3.9 percent in real terms.

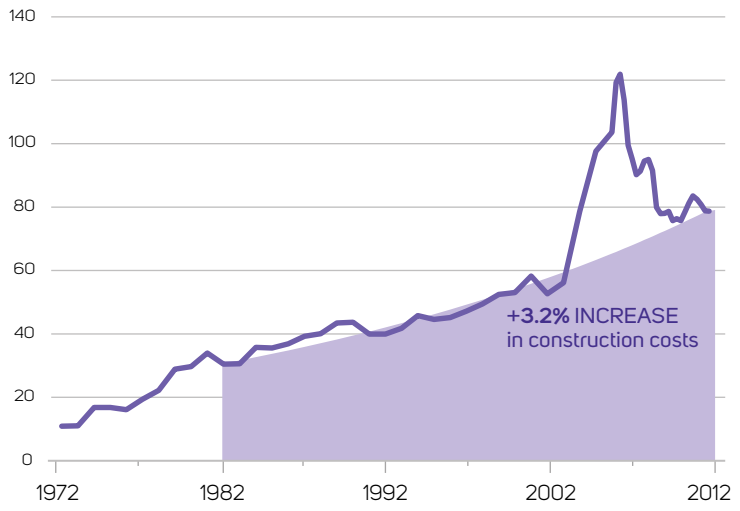
Growth in construction costs (3.2%) outpaces general inflation (2.4%)

FIGURE 6.1 HISTORICAL INFLATION TRENDS (ANNUAL INFLATION)



Source: Office of Management and Budget, Budget of the United States Government, FY 2016 Budget

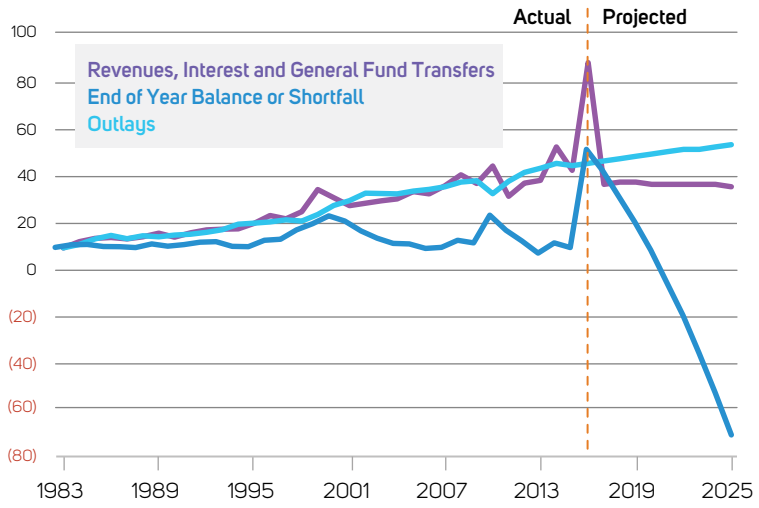
FIGURE 6.2 GROWTH IN HIGHWAY CAPITAL COSTS (INDEX VALUE)



Source: California Department of Transportation

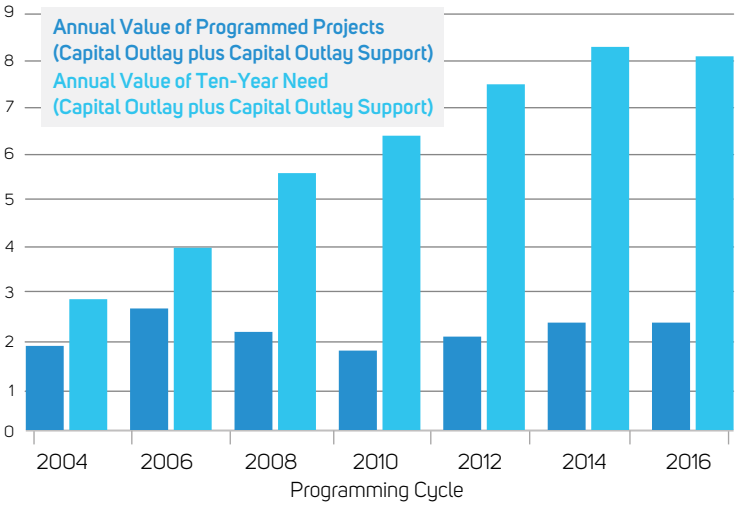
The viability of the state and federal revenue sources is of concern

FIGURE 6.3 STATUS OF THE FEDERAL HIGHWAY TRUST FUND ($ BILLIONS)



Source: Congressional Budget Office and Federal Highway Administration

FIGURE 6.4 STATUS OF THE STATE HIGHWAY OPERATION AND PROTECTION PROGRAM (SHOPP) ($ BILLIONS)



Source: California Department of Transportation, 2015 Ten-Year SHOPP Plan

FUEL CONSUMPTION

Excise taxes on gasoline and diesel fuels are the basis of most federal and state transportation funding sources. Since these taxes are based on cents-per-gallon purchased, they depend solely on fuel consumption and are not indexed to inflation or construction costs. While changes in vehicle miles traveled (VMT) will continue to play a role during the Plan period, increases in conventional fuel efficiency and the adoption of alternative fuel vehicles will reduce overall fuel consumption. The financial plan assumes that increases in vehicle fuel efficiency will reduce fuel consumption by 0.9 percent per year during the Plan period.

STATUS OF THE FEDERAL HIGHWAY TRUST FUND

The Federal Highway Trust Fund provides federal highway and transit funding from a nationally-imposed 18.3 cent-per-gallon gasoline excise tax. Since 2008, the Trust Fund has failed to meet its obligations and has required the United States Congress to authorize $141.1 billion in transfers from the General Fund to keep it solvent. The negative balances shown on FIGURE 6.3 illustrate the projected inability of the Trust Fund to pay its obligations into the highway account.

At the time of the 2016 RTP/SCS, nearly a decade has passed without substantive Congressional agreement on a long-term solution to provide adequate funding for the Trust Fund. The recently passed transportation reauthorization known as the FAST Act relies on $70 billion of one-time, non-user fees to keep the Trust Fund solvent through 2020. It does not address the present, long-term structural deficiency that exists in funding the Trust Fund. Although the financial plan assumes that Congress will reach agreement on reauthorizing federal spending for transportation programs over the Plan horizon, the core revenues available from the Trust Fund are expected to decline due to increasing fuel efficiency and other factors.

STATUS OF THE STATE HIGHWAY ACCOUNT

Despite the "Gas Tax Swap," the effective state gas excise tax rate of 18 cents-per-gallon has remained unadjusted for more than 20 years. Gas tax revenues remain the only source of funding for the State Highway Operation and Protection Program (SHOPP), which funds projects to maintain the State Highway System. As shown in FIGURE 6.4, previous levels of funding have been considerably less than actual needs. Statewide, the 2015 Ten-Year SHOPP Plan identifies $8.0 billion in statewide annual needs, while expenditures programmed for the next four years are only $2.3 billion annually. Continued underinvestment in the maintenance needs of the State Highway System will only increase the cost of bringing our highway assets back to a state of good repair.

LOCAL SALES TAX MEASURES

The SCAG region continues to rely heavily on local sales tax measures for the timely delivery of transportation projects. While most counties impose a 0.5 percent sales tax to fund transportation projects, Los Angeles County levies a 1.5 percent tax—a combination of two permanent half-cent sales taxes and Measure R at 0.5 percent. Measure R is not permanent and expires in 2039. Riverside County's Measure A also expires in 2039. Measure I in San Bernardino County expires in 2040, followed by Orange County's Measure M in 2041. Measure D in Imperial County expires in 2050. Ventura County is the only county in the region without an existing dedicated sales tax for transportation. However, Ventura County is in the process of seeking voter approval on a half-cent sales tax, which is reflected as part of the reasonably available revenues.

TRANSIT OPERATING AND MAINTENANCE (O&M) COSTS

Future transit O&M costs depend on a variety of factors, such as future revenue-miles of service, labor contracts and the age of rolling stock. For the 2016 RTP/SCS, transit O&M costs are estimated based upon historical increases. The regional average increase of 2.7 percent is used for most operators. For Los Angeles County, the financial plan relies on detailed forecasts from the county transportation commission, which is also consistent with historical data.

MULTIMODAL SYSTEM PRESERVATION AND MAINTENANCE

The 2016 RTP/SCS identifies $275.5 billion in total system preservation and maintenance needed to bring transit, passenger rail, regionally significant local streets and roads, and the State Highway System to a state of good repair. While the Plan includes core revenue sources for system preservation, these sources are limited due to restrictions on the use of funds and voter-approved commitments to major capital initiatives.

REVENUE & EXPENDITURE CATEGORIES

CORE AND REASONABLY AVAILABLE REVENUES

The 2016 RTP/SCS financial plan includes two types of revenue forecasts. Both are included in the financially constrained plan:

- Core revenues
- Reasonably available revenues

The *core revenues* identified are existing transportation funding sources projected to FY2039-40. The core revenue forecast does not include future increases in state or federal gas excise tax rates (other than the adjustments reflecting the state gasoline sales tax swap) or adoptions of regional gasoline taxes, mileage-based user fees and new tax measures. These revenues provide a benchmark from which additional funding can be identified.

MULTIMODAL SYSTEM PRESERVATION & MAINTENANCE NEEDS

(in nominal dollars)

TOTAL **$275.5** BILLION

TRANSIT	**$156.7** BILLION
STATE HIGHWAYS	**$65.8** BILLION
REGIONALLY SIGNIFICANT LOCAL STREETS & ROADS	**$37.3** BILLION
PASSENGER RAIL	**$15.7** BILLION

Note: Numbers may not sum to total due to rounding.

The region's *reasonably available revenues* include new sources of transportation funding likely to materialize within the 2016 RTP/SCS time frame. These sources include adjustments to existing state and federal gas tax rates, value capture strategies, potential national freight program funds, tolls for specific facilities and private equity participation. Federal guidelines on fiscal constraint permits the inclusion of revenues that are reasonably available. In accordance with federal guidelines, the Plan includes strategies for ensuring the availability of these sources.

EXPENDITURE CATEGORIES

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

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

CORE REVENUES

SCAG's regional core revenue model forecasts transportation revenues over the entire 2016 RTP/SCS time horizon. The revenue model is comprehensive and supports analysis by county or funding source. The revenue forecast was developed using the following framework:

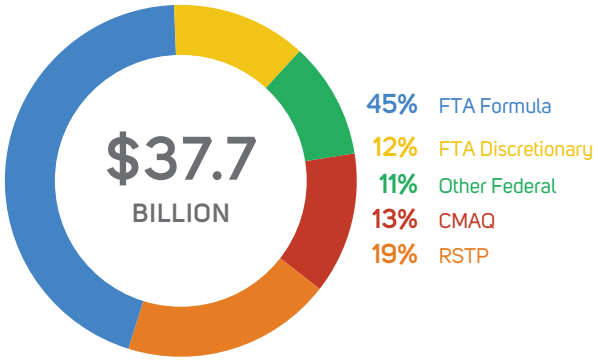
- Incorporate financial planning documents developed by local county transportation commissions and transit operators in the region, where available
- Ensure consistency with both local and state planning documents
- Utilize published data sources to evaluate historical trends
- Conduct sensitivity testing of assumptions to augment local forecasts, as needed

The region's revenue forecast horizon for the financial plan is FY2015-16 through FY2039-40. Consistent with federal guidelines, the plan takes into account inflation and reports statistics in nominal (year-of-expenditure) dollars. TABLE 6.1 shows these core revenues in five-year increments by county.

FIGURE 6.5 CORE REVENUES (IN NOMINAL DOLLARS)

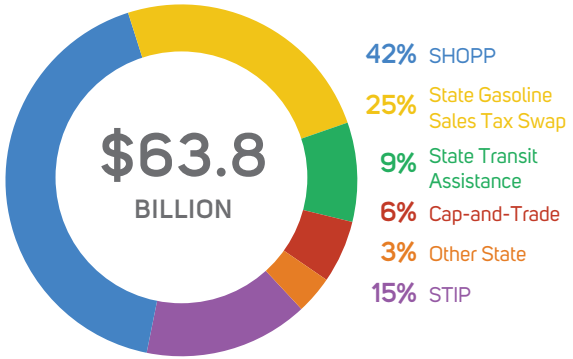
FEDERAL

Federal sources are expected to comprise a small portion of overall transportation funds ($37.7 billion). Federal Transit Administration (FTA) funds account for 57 percent of federal funding in the SCAG region. The financial plan also assumes that CMAQ funding will decline in 2022, 2031 and 2036 due to the region achieving attainment for a number of criteria pollutants and reducing the severity level of others.



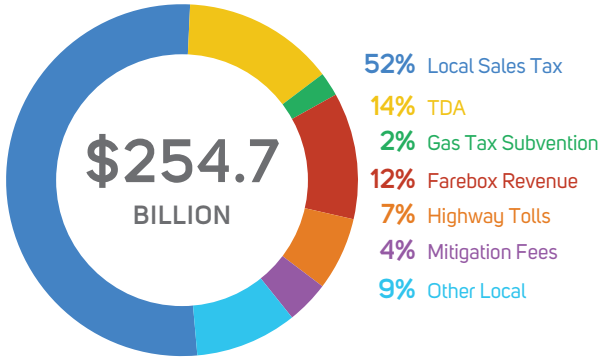
STATE

The State Transportation Improvement Program (STIP), the State Highway Operations and Protection Program (SHOPP) and the State Gasoline Sales Tax Swap account for the bulk of the state funding available.



LOCAL

Local sales taxes provide the largest single source of local funding. When local sales taxes in all five counties with such measures are included, these taxes account for more than half (52 percent) of local sources.



The majority of revenues in the SCAG region come from local sources. The share of state sources (18 percent) has increased since the last RTP as a result of Cap-and-Trade Auction Proceeds.

LOCAL + STATE + FEDERAL= **$356.1 BILLION**

TABLE 6.1 CORE REVENUE FORECAST FY 2016–2040

(in Nominal Dollars, Billions)

COUNTY	FY 2016–2020	FY 2021–2025	FY 2026–2030	FY 2031–2035	FY 2036–2040	TOTAL
Imperial	$0.5	$0.5	$0.6	$0.7	$0.8	**$3.2**
Los Angeles	$34.3	$38.0	$45.4	$53.1	$55.0	**$225.8**
Orange	$8.5	$8.5	$10.1	$12.1	$14.2	**$53.4**
Riverside	$5.4	$6.3	$7.6	$9.3	$10.0	**$38.6**
San Bernardino	$4.2	$4.8	$5.6	$6.5	$7.5	**$28.6**
Ventura	$1.0	$1.1	$1.3	$1.5	$1.7	**$6.5**
TOTAL	**$53.9**	**$59.2**	**$70.6**	**$83.1**	**$89.3**	**$356.1**

Source: SCAG Revenue Model 2015 Note: Numbers may not sum to total due to rounding.

REASONABLY AVAILABLE REVENUES

There are several new funding sources that are reasonably expected to be available for the 2016 RTP/SCS. The following guiding principles were used for identifying reasonably available revenues:

- Establish a user fee-based system that better reflects the true cost of transportation, provides firewall protection for new and existing transportation funds, and ensures an equitable distribution of costs and benefits.
- Promote national and state programs that include return-to-source guarantees, while maintaining flexibility to reward regions that continue to commit substantial local resources.
- Leverage locally available funding with innovative financing tools (e.g., tax credits and expansion of the Transportation Infrastructure Finance and Innovation Act [TIFIA]) to attract private capital and accelerate project delivery.
- Promote funding strategies that strengthen the federal commitment to the nation's goods movement system, recognizing the pivotal role that our region plays in domestic and international trade.

TABLE 6.2 identifies eight categories of funding sources that are considered to be reasonably available and are included in the financially constrained plan. These sources were identified on the basis of their potential for revenue generation, historical precedence and the likelihood of their implementation within the time frame of the 2016 RTP/SCS. For each funding source, SCAG has examined the policy and legal context of implementation and has prepared an estimate of the potential revenues generated. Additional documentation of funding sources included in the financial plan are provided in the Transportation Finance Appendix.

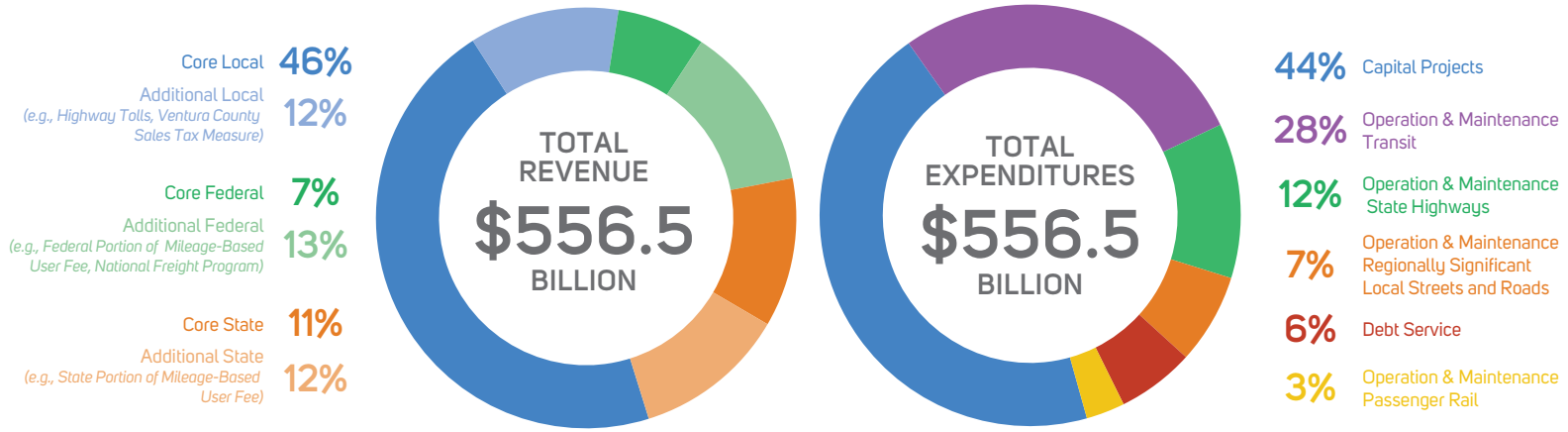
SUMMARY OF REVENUE SOURCES AND EXPENDITURES

The SCAG region's financially constrained 2016 RTP/SCS includes revenues from both core and reasonably available revenue sources, which together total $556.5 billion from FY2015-16 through FY2039-40 (see TABLE 6.3). The Plan is funded 57 percent by local sources, 23 percent by state sources and 19 percent by federal sources, as illustrated in FIGURE 6.6.

Capital projects total $246.6 billion in nominal dollars. Operating and maintenance (O&M) costs total $275.5 billion, while debt service obligations total $34.5 billion. Transit-related costs comprise the largest share of O&M costs for the region, totaling $156.7 billion.

TABLE 6.4 presents the SCAG region's revenue forecast by source in five-year increments, from FY2015-16 through FY2039-40. This is followed by TABLE 6.5, which provides details of the region's expenditures by category in five-year increments.

FIGURE 6.6 FY 2016–2040 SUMMARY OF REVENUE AND EXPENDITURES (IN NOMINAL DOLLARS)



Source: SCAG Revenue Model 2015 Note: Numbers may not sum to total due to rounding.

TABLE 6.2 NEW REVENUE SOURCES AND INNOVATIVE FINANCING STRATEGIES

(in Nominal Dollars, Billions)

REVENUE SOURCE	DESCRIPTION	AMOUNT	ACTIONS TO ENSURE AVAILABILITY	RESPONSIBLE PARTY(IES)
State and Federal Gas Excise Tax Adjustment to Maintain Historical Purchasing Power	Additional $0.10 per gallon gasoline tax imposed at the state and the federal levels starting in 2020 to 2024 to maintain purchasing power.	$6.0	Requires action of state Legislature and Congress. Strategy is consistent with recommendations from two national commissions to move immediately with augmenting fuel tax resources through conventional Highway Trust Fund mechanisms. Rate is also consistent with proposals introduced in state Legislature during 2015–2016 session.	State Legislature, Congress
Mileage-Based User Fee (or equivalent fuel tax adjustment)	Mileage-based user fees would be implemented to replace gas taxes—estimated at about $0.04 (in 2015 dollars) per mile starting in 2025 and indexed to maintain purchasing power.	$124.8 (est. increment only)	Requires action of state Legislature and Congress. Strategy is consistent with recommendations from two national commissions to move toward a mileage-based user fee system. In 2014, state Legislature passed Senate Bill (SB) 1077 (DeSaulnier) directing California to conduct a pilot program to study the feasibility of a road charge as a replacement to the gas tax beginning no later than January 1, 2017. The FAST Act establishes the Surface Transportation System Funding Alternatives program, which provides grants to states to demonstrate alternative user-based revenue mechanisms that could maintain the long-term solvency of the Trust Fund.	State Legislature, Congress
Highway Tolls (includes toll revenue bond proceeds)	Toll revenues generated from East-West Freight Corridor and regional express lane network.	$23.5	Assembly Bill (AB) 1467 (Nunez) Chapter 32, Statutes of 2006 authorized Caltrans and regional transportation agencies to enter into comprehensive development lease agreements with public and private entities or consortia of those entities for certain types of transportation projects. Further, AB 521 (Runner) Chapter 542, Statutes of 2006 modified provisions in AB 1467. Senate Bill Second Extraordinary Session 4 (SBX2 4) Chapter 2, Statutes of 2009 (Cogdill) established the legislative authority until January 1, 2017, allowing for regional transportation agencies and Caltrans to enter into an unlimited number of public-private partnerships (PPP) and deleted the restrictions on the number and type of projects that may be undertaken. Chapter 474, Statutes of 2009 (AB 798) established the California Transportation Financing Authority (CTFA). Highway projects that meet planning and environmental review requirements are eligible for tolling subject to meeting requirements of the CTFA. AB 798 also lifted the requirement for express lane projects authorized under AB 1467 to have separate legislative approval. SB 1316 (Correa) enabled RCTC to impose tolls along SR-91 Express Lanes. The I-15 Express Lanes in Riverside County were authorized by AB 1954 (Jeffries). SB 1298 (Hernandez) authorized continued tolling along the I-10 and I-110 Express Lanes in Los Angeles County. AB 914 (Brown) allowed express lanes along I-10 and the I-15 in San Bernardino County. AB 194 (Frazier) allowed the California Transportation Commission to authorize additional express lane projects.	MPO, CTCs, Caltrans, CTFA, and FHWA as may be applicable

TABLE 6.2 CONTINUED

REVENUE SOURCE	DESCRIPTION	AMOUNT	ACTIONS TO ENSURE AVAILABILITY	RESPONSIBLE PARTY(IES)
Private Equity Participation	Private equity share as may be applicable for key initiatives: e.g., toll facilities; also, freight rail package assumes railroads' share of costs for main line capacity and intermodal facilities.	$3.4	Region has authority as noted above. Current funding plans for specific intermodal facilities assume private sources.	MPO, CTCs, private consortium, state Legislature, and Union Pacific/ BNSF as appropriate for specific facilities
Freight Fee/National Freight Program	The recent reauthorization of the federal surface transportation act (the FAST Act) provides dedicated federal funding for infrastructure improvements supporting the national freight network through the newly created National Highway Freight Program and the Nationally Significant Freight and Highway Projects program. These programs are funded at approximately $2.1 billion per year nationally. Regional estimate assumes a conservative percentage of national totals.	$5.4	Current efforts at the local/regional level continue to endorse a federal program for freight. Other mechanisms to ensure the establishment of a funding program for freight may entail working with local/regional, state, and federal stakeholders to assess a national freight fee. Freight fees could be assessed in proportion to relative impacts on the transportation system.	Congress and potentially state Legislature as well as local/regional stakeholders
State Bond Proceeds, Federal Grants & Other for California High-Speed Rail Program	State general obligation bonds authorized under the Bond Act approved by California voters as Proposition 1A in 2008; federal grants authorized under American Recovery and Reinvestment Act and High-Speed Intercity Passenger Rail Program; Cap-and-Trade Auction Proceeds; potential use of qualified tax credit bonds; and private sources.	$34.0	Estimate for Southern California segments based on statewide system total per 2014 California High-Speed Rail Business Plan. Further coordination anticipated with the California High-Speed Rail Authority in finalizing business plan; additionally, the High-Speed Rail Authority will pursue private-sector participation as a source of system financing.	MPO, California High-Speed Rail Authority, local/regional stakeholders, private-sector partners
Value Capture Strategies	Assumes formation of special districts (Enhanced Infrastructure Financing Districts) including use of tax increment financing for specific initiatives.	$1.2	Pursue necessary approvals for special districts by 2020. Benefit assessment districts require majority approval by property owners; community facility districts require two-thirds approval; work with private entities for joint development opportunities as may be applicable.	MPO, CTCs, local jurisdictions, property owners along project corridors, developers
Local Option Sales Tax	Half-cent sales tax measure for Ventura County	$2.1	Local sales tax measure to be placed on ballot by 2020	Ventura County

TABLE 6.3 SUMMARY OF REVENUE SOURCES

TABLE 6.3.1 CORE AND REASONABLY AVAILABLE REVENUE PROJECTIONS—LOCAL REVENUE SOURCES

(in Nominal Dollars, Billions)

REVENUE SOURCE	REVENUE PROJECTION ASSUMPTIONS	REVENUE ESTIMATE
Local Option Sales Tax Measures	**Description:** Locally imposed ½ percent sales tax in four counties (Imperial, Orange, Riverside, and San Bernardino). Permanent 1 percent (combination of two ½ cent sales taxes) plus Measure R through 2039 in Los Angeles County. Measure D in Imperial County expires in 2050; Measure M in Orange County expires in 2041; Measure A in Riverside County expires in 2039; and Measure D in San Bernardino County expires in 2040. **Assumptions:** Sales taxes grow consistent with county transportation commission forecasts and historical trends.	$132.7
Transportation Development Act (TDA)—Local Transportation Fund	**Description:** The Local Transportation Fund (LTF) is derived from a ¼ cent sales tax on retail sales statewide. Funds are returned to the county of generation and used mostly for transit operations and transit capital expenses. **Assumptions:** Same sales tax growth rate as used for local option sales tax measures.	$35.6
Gas Excise Tax Subventions (to Cities and Counties)	**Description:** Subventions to counties and local jurisdictions in region from the California state gas tax. Revenues for the forecast are proportionate to the percentage of streets and roads that are regionally significant. **Assumptions:** Gasoline fuel consumption declines in real terms by 1.6 percent due to increasing fuel efficiency in conventional vehicles and adoption of electric and hybrid vehicles. Regionally significant streets and roads (28 to 48 percent of total roads) are classified as either arterials or collectors.	$5.6
Transit Farebox Revenue	**Description:** Transit fares collected by transit operators in the SCAG region. **Assumptions:** Farebox revenues increase consistent with historic trends, planned system expansions, and operator forecasts.	$29.7
Highway Tolls (in core revenue forecast)	**Description:** Revenues generated from toll roads operated by the Transportation Corridor Agencies (TCA), from the SR-91 Express Lanes operated by the Orange County Transportation Authority (OCTA) and Riverside County Transportation Commission (RCTC), and from the express lanes along I-10 and I-110 in Los Angeles County. **Assumptions:** Toll revenues grow consistent with county transportation commission forecasts and historical trends.	$17.2
Mitigation Fees	**Description:** Revenues generated from development impact fees. The revenue forecast includes fees from the Transportation Corridor Agency (TCA) development impact fee program, San Bernardino County's development impact fee program and Riverside County's Transportation Uniform Mitigation Fee (TUMF) for both the Coachella Valley and Western Riverside County. **Assumptions:** The financial forecast is consistent with revenue forecasts from TCA, Riverside County Transportation Commission (RCTC), and the San Bernardino Associated Governments (SANBAG).	$10.1
Other Local Sources	**Description:** Includes committed local revenue sources such as transit advertising and auxiliary revenues, lease revenues, and interest and investment earnings from reserve funds. **Assumptions:** Revenues are based on financial data from transit operators and local county transportation commissions.	$23.8
LOCAL SUBTOTAL		$254.7

Note: Numbers may not sum to total due to rounding.

TABLE 6.3.2 CORE AND REASONABLY AVAILABLE REVENUE PROJECTIONS—STATE REVENUE SOURCES

(in Nominal Dollars, Billions)

REVENUE SOURCE	REVENUE PROJECTION ASSUMPTIONS	REVENUE ESTIMATE
State Transportation Improvement Program (STIP)	**Description:** The STIP is a five-year capital improvement program that provides funding from the State Highway Account (SHA) for projects that increase the capacity of the transportation system. The SHA is funded through a combination of state gas excise tax, the Federal Highway Trust Fund, and truck weight fees. The STIP may include projects on state highways, local roads, intercity rail, or public transit systems. The Regional Transportation Planning Agencies (RTPAs) propose 75 percent of STIP funding for regional transportation projects in Regional Transportation Improvement Programs (RTIPs). Caltrans proposes 25 percent of STIP funding for interregional transportation projects in the Interregional Transportation Improvement Program (ITIP). **Assumptions:** Funds are based upon the 2014 Report of STIP Balances County and Interregional Shares, August 1, 2014. Fuel consumption declines in real terms by 0.9 percent due to increasing fuel efficiency in conventional vehicles and adoption of electric and hybrid vehicles.	$9.6
State Highway Operation and Protection Plan (SHOPP)	**Description:** Funds state highway maintenance and operations projects. **Assumptions:** Short-term revenues are based on overlapping 2012 and 2014 SHOPP programs. Long-term forecasts are consistent with STIP forecasts and assume decline in fuel consumption.	$26.7
State Gasoline Sales Tax Swap	**Description:** Prior to 2010, state sales tax on gasoline funded discretionary projects through the Transportation Investment Fund, which distributed revenues to the STIP, local streets and roads, and transit. In 2010, the sales tax revenues were "swapped" for an increased excise tax (initially 17.3 cents) recalculated each year to ensure revenue neutrality. **Assumptions:** The forecast is based on current funding levels as reported by the State Controller. Future revenues grow by 1.8 percent (in real terms) to be revenue neutral consistent with the gasoline sales tax swap.	$15.7
State Transit Assistance Fund (STA)	**Description:** STA is funded from the diesel sales tax and is distributed by population share and revenue share of the transit operators. **Assumptions:** The forecast is based on current funding levels reported by the State Controller. Future funding declines with fuel consumption using assumptions consistent with other sources.	$5.8
Cap-and-Trade Auction Proceeds	**Description:** The Global Warming Solutions Act of 2006 (AB 32) established the goal of reducing greenhouse gas (GHG) emissions statewide to 1990 levels by 2020. In order to help achieve this goal, the California Air Resources Board (ARB) adopted a regulation to establish a Cap-and-Trade program that places a "cap" on the aggregate GHG emissions from entities responsible for roughly 85 percent of the state's GHG emissions. As part of the Cap-and-Trade program, ARB conducts quarterly auctions where it sells emission allowances. Revenues from the sale of these allowances fund projects that support the goals of AB 32, including transit and rail investments. Funds associated with non-transportation investments and High-Speed Rail are not included in this amount. Funds associated with High-Speed Rail are address under Innovative Financing and New Revenue Sources. **Assumptions:** The forecast is based on current revenue estimates from the Legislative Analyst's Office (LAO). The LAO projects statewide revenues to reach a cumulative program total of $15 billion by 2020. Given the uncertainty about future allowance prices, annual growth is assumed to be flat beyond 2020. SCAG's revenue projection for Cap-and-Trade Auction Proceeds is conservative and represents a bottom floor estimate for the region. Proceeds for transportation could be significantly greater.	$3.7
Other State Sources	**Description:** Other state sources include remaining Highway Safety, Traffic, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B), Active Transportation Program, and other miscellaneous state grant apportionments for the SCAG region. **Assumptions:** Short-term revenues are based on actual apportionments. Future Active Transportation Program funding declines with fuel consumption using assumptions consistent with other sources.	$2.2
STATE SUBTOTAL		$63.8

Note: Numbers may not sum to total due to rounding.

TABLE 6.3.3 CORE AND REASONABLY AVAILABLE REVENUE PROJECTIONS—FEDERAL REVENUE SOURCES

(in Nominal Dollars, Billions)

REVENUE SOURCE	REVENUE PROJECTION ASSUMPTIONS	REVENUE ESTIMATE
FHWA Non-Discretionary Congestion Mitigation and Air Quality (CMAQ) Program	**Description:** Program to reduce traffic congestion and improve air quality in non-attainment areas. **Assumptions:** Short-term revenues are based upon the Caltrans apportionment estimates. Long-term revenues assume that fuel consumption declines by 0.9 percent (in real terms) annually. CMAQ funding is assumed to be reduced by 25 percent in 2022, an additional 25 percent in 2031, and an additional 25 percent in 2036 due to improved air quality.	$4.9
FHWA Non-Discretionary Regional Surface Transportation Program (RSTP)	**Description:** Projects eligible for RSTP funds include rehabilitation and new construction on any highways included in the National Highway System (NHS) and Interstate Highways (including bridges). Also, transit capital projects, as well as intracity and intercity bus terminals and facilities, are eligible. **Assumptions:** Short-term revenues are based upon the Caltrans apportionment estimates. Long-term revenues assume that fuel consumption declines by 0.9 percent (in real terms) annually.	$7.3
FTA Formula Programs 5307 Urbanized Area Formula, 5310 Enhanced Mobility of Seniors and Individuals with Disabilities Formula, 5311 Rural Formula, 5337 State of Good Repair Formula, and 5339 Bus and Bus Facilities Formula	**Description:** This includes a number of FTA programs distributed by formula. 5307 is distributed to state urbanized areas with a formula based upon population, population density, number of low-income individuals, and transit revenue and passenger miles of service. Program funds capital projects, planning, job access and reverse commute projects, and operations costs under certain circumstances. 5310 funds are allocated by formula to states for projects providing enhanced mobility to seniors and persons with disabilities. 5311 provides capital, planning, and operating assistance to states to support public transportation in rural areas with populations less than 50,000. 5337 is distributed based on revenue and route miles and provides funds for repairing and upgrading rail transit systems, high-intensity bus systems that use High-Occupancy Vehicle (HOV) lanes, including bus rapid transit (BRT). 5339 provides capital funding to replace, rehabilitate, and purchase buses and related equipment and to construct bus-related facilities. **Assumptions:** Formula funds are assumed to decline in proportion with the Federal Highway Trust Fund. As with the FHWA sources, fuel consumption declines by 0.9 percent (in real terms) annually.	$16.8
FTA Non-Formula Program 5309 Fixed Guideway Capital Investment Grants ("New Starts")	**Description:** Provides grants for new fixed guideways or extensions to fixed guideways (projects that operate on a separate right-of-way exclusively for public transportation, or that include a rail or a catenary system), bus rapid transit projects operating in mixed traffic that represent a substantial investment in the corridor, and projects that improve capacity on an existing fixed guideway system. **Assumptions:** Operators are assumed to receive FTA discretionary funds in rough proportion to what they have received historically. As with the FHWA sources, fuel consumption declines by 0.9 percent (in real terms) annually.	$4.7
Other Federal Sources	**Description:** Includes other federal programs, such as Transportation Investment Generating Economic Recovery (TIGER) competitive grant program, Highway Safety Improvement Program, Federal Safe Routes to School, Highway Bridge Program, and earmarks. **Assumptions:** Short-term revenues are based on actual apportionments. Long-term revenues assumes a 0.9 percent (in real terms) annual decline in fuel consumption as used for other federal funding sources.	$4.0
FEDERAL SUBTOTAL		$37.7

Note: Numbers may not sum to total due to rounding.

TABLE 6.3.4 CORE AND REASONABLY AVAILABLE REVENUE PROJECTIONS—INNOVATIVE FINANCING AND NEW REVENUE SOURCES

(in Nominal Dollars, Billions)

REVENUE SOURCE	REVENUE PROJECTION ASSUMPTIONS	REVENUE ESTIMATE
State and Federal Gas Excise Tax Adjustment to Maintain Historical Purchasing Power	**Description:** Additional 10-cents-per-gallon gasoline tax imposed by the state and federal government starting in 2020 through 2024. **Assumptions:** Forecast consistent with historical tax rate adjustments for both state and federal gas taxes.	$6.0
Mileage-Based User Fee (or equivalent fuel tax adjustment)	**Description:** Mileage-based user fees would be implemented to replace existing gas taxes (state and federal) by 2025. **Assumptions:** Consistent with recommendations from two national commissions established under SAFETEA-LU, it is assumed that a national mileage-based user fee system would be established during the latter years of the RTP/SCS. An estimated $0.04 per mile (in 2015 dollars) is assumed starting in 2025 to replace existing gas tax revenues.	$124.8 (est. increment only)
Highway Tolls (includes toll revenue bond proceeds)	**Description:** Toll revenues generated from regional toll facilities (e.g., East-West Freight Corridor and regional express lane network). **Assumptions:** Toll revenues based on recent feasibility studies for applicable corridors. Also includes toll revenue bond proceeds.	$23.5
Private Equity Participation	**Description:** Private equity share as may be applicable for key initiatives. **Assumptions:** Private capital is assumed for a number of projects, including toll facilities; also, freight rail package assumes railroads' share of costs for main line capacity and intermodal facilities.	$3.4
Freight Fees/National Freight Program	**Description:** Establishment of a national freight program consistent with federal surface transportation reauthorization (FAST ACT) and/or establishment of freight fees imposed nationally. **Assumptions:** The recently passed federal transportation reauthorization bill provides dedicated freight funding of approximately $2.1 billion per year nationally. Regional estimate assumes a conservative percentage of proposed national program.	$5.4
State Bond Proceeds, Federal Grants & Other for California High-Speed Rail Program	**Description:** Estimated total per 2014 California High-Speed Rail Business Plan. **Assumptions:** State general obligation bonds authorized under the Bond Act approved by California voters as Proposition 1A in 2008; federal grants authorized under ARRA and the High-Speed Intercity Passenger Rail Program (HSIPR); Cap-and-Trade Auction Proceeds; potential use of qualified tax credit bonds; and private sources.	$34.0
Value Capture Strategies	**Description:** Formation of special districts—Enhanced Infrastructure Financing Districts. **Assumptions:** This strategy refers to capturing the incremental value generated by transportation investments. Specifically, SCAG assumes the formation of special districts, including Enhanced Infrastructure Financing Districts (EIFDs) for specific projects (e.g., East-West Freight Corridor).	$1.2
Local Option Sales Tax	**Description:** Locally imposed ½ percent sales tax measure for Ventura County. **Assumptions:** Sales tax grows consistent with historical trends in county retail sales.	$2.1
NEW REVENUE SOURCE SUBTOTAL		$200.4
GRAND TOTAL		$556.5

Note: Numbers may not sum to total due to rounding.

TABLE 6.4 FY 2016–2040 RTP/SCS REVENUES

(in Nominal Dollars, Billions)

	REVENUE SOURCES	FY 2016–2020	FY 2021–2025	FY 2026–2030	FY 2031–2035	FY 2036–2040	TOTAL
LOCAL	Sales Tax	$21.1	$26.6	$32.8	$40.9	$46.8	$168.3
	• Local Option Sales Tax Measures	$16.8	$21.2	$26.1	$32.4	$36.3	$132.7
	• Transportation Development Act (TDA)—Local Transportation Fund	$4.3	$5.4	$6.8	$8.5	$10.6	$35.6
	Gas Excise Tax Subventions (to Cities and Counties)	$1.0	$1.1	$1.1	$1.2	$1.2	$5.6
	Transit Farebox Revenue	$3.9	$4.9	$5.9	$6.9	$8.2	$29.7
	Highway Tolls (in core revenue forecast)	$2.0	$2.6	$3.3	$4.2	$5.2	$17.2
	Mitigation Fees	$1.7	$1.9	$2.1	$2.3	$2.1	$10.1
	Other Local Sources	$7.0	$3.6	$5.3	$5.6	$2.4	$23.8
	Local Total	$36.7	$40.5	$50.5	$61.0	$65.9	$254.7
STATE	State Transportation Improvement Program (STIP)	$1.4	$1.8	$2.0	$2.1	$2.3	$9.6
	• Regional Transportation Improvement Program (RTIP)	$1.1	$1.4	$1.5	$1.6	$1.7	$7.2
	• Interregional Transportation Improvement Program (ITIP)	$0.4	$0.5	$0.5	$0.5	$0.6	$2.5
	State Highway Operation and Protection Plan (SHOPP)	$4.3	$5.0	$5.4	$5.8	$6.2	$26.7
	State Gasoline Sales Tax Swap	$2.0	$2.4	$3.0	$3.7	$4.6	$15.7
	State Transit Assistance Fund (STA)	$0.9	$1.0	$1.2	$1.3	$1.4	$5.8
	Cap-and-Trade Auction Proceeds	$0.7	$0.8	$0.8	$0.8	$0.8	$3.7
	Other State Sources	$0.7	$0.3	$0.4	$0.4	$0.4	$2.2
	State Total	$10.0	$11.4	$12.6	$14.1	$15.7	$63.8
FEDERAL	Federal Transit	$4.0	$4.1	$4.2	$4.7	$4.3	$21.5
	• Federal Transit Formula	$2.9	$3.1	$3.3	$3.6	$3.9	$16.8
	• Federal Transit Non-Formula	$1.2	$1.0	$0.9	$1.1	$0.5	$4.7
	Federal Highway & Other	$3.1	$3.1	$3.3	$3.3	$3.3	$16.2
	• Congestion Mitigation and Air Quality (CMAQ)	$1.2	$1.1	$1.1	$0.9	$0.7	$4.9
	• Regional Surface Transportation Program (RSTP)	$1.2	$1.3	$1.4	$1.6	$1.7	$7.3
	• Other Federal Sources	$0.7	$0.7	$0.8	$0.9	$0.9	$4.0
	Federal Total	$7.2	$7.3	$7.5	$8.0	$7.7	$37.7
INNOVATIVE FINANCING & NEW REVENUE SOURCES	State and Federal Gas Excise Tax Adjustment	$1.3	$4.8	$0.0	$0.0	$0.0	$6.0
	Mileage-Based User Fee	$0.0	$5.5	$31.9	$39.6	$47.9	$124.8
	Highway Tolls (includes toll revenue bond proceeds)	$0.2	$9.0	$4.2	$4.6	$5.5	$23.5
	Private Equity Participation	$1.1	$0.1	$2.1	$0.1	$0.0	$3.4
	Freight Fee/National Freight Program	$0.7	$0.9	$1.0	$1.2	$1.5	$5.4
	State Bond Proceeds, Cap-and-Trade Auction Proceeds, & Other for California High-Speed Rail Program	$6.0	$10.0	$8.0	$5.0	$5.0	$34.0
	Value Capture Strategies	$0.0	$1.2	$0.0	$0.0	$0.0	$1.2
	Local Option Sales Tax (Ventura County)	$0.1	$0.4	$0.5	$0.6	$0.7	$2.1
	Innovative Financing & New Revenue Sources Total	$9.4	$31.8	$47.6	$51.1	$60.5	$200.4
REVENUE TOTAL		$63.3	$91.1	$118.2	$134.2	$149.8	$556.5

Note: Numbers may not sum to total due to rounding.

TABLE 6.5 FY 2016–2040 RTP/SCS EXPENDITURES

(in Nominal Dollars, Billions)

RTP COSTS	FY 2016–2020	FY 2021–2025	FY 2026–2030	FY 2031–2035	FY 2036–2040	TOTAL
CAPITAL PROJECTS:	$27.6	$46.7	$56.0	$57.0	$59.2	$246.6
Arterials	$3.3	$2.2	$2.4	$5.0	$5.4	$18.4
Goods Movement (includes Grade Separations)	$8.0	$18.9	$19.5	$12.2	$12.1	$70.7
High-Occupancy Vehicle/Express Lanes	$2.7	$2.2	$2.5	$3.7	$4.1	$15.2
Mixed-Flow and Interchange Improvements	$2.2	$1.4	$2.6	$2.9	$3.0	$12.2
Toll Facilities	$1.8	$3.2	$2.3	$0.6	$0.5	$8.4
Transportation Systems Management (including ITS)	$0.9	$1.1	$1.4	$2.9	$2.9	$9.2
Transit	$6.4	$8.6	$11.0	$14.4	$15.7	$56.1
Passenger Rail	$0.8	$6.3	$10.3	$10.4	$10.8	$38.6
Active Transportation	$0.8	$1.7	$1.7	$2.0	$2.0	$8.1
Transportation Demand Management	$0.2	$0.2	$1.6	$2.3	$2.6	$6.9
Other (includes Environmental Mitigation, Landscaping, and Project Development Costs)	$0.5	$0.6	$0.7	$0.7	$0.2	$2.7
OPERATIONS AND MAINTENANCE:	$30.8	$38.0	$54.9	$69.3	$82.5	$275.5
State Highways	$9.0	$10.5	$12.4	$15.7	$18.2	$65.8
Transit	$18.5	$23.3	$29.4	$38.6	$46.9	$156.7
Passenger Rail	$1.6	$2.3	$3.0	$3.8	$5.0	$15.7
Regionally Significant Local Streets and Roads*	$1.7	$1.9	$10.1	$11.1	$12.5	$37.3
DEBT SERVICE	$4.9	$6.4	$7.3	$7.9	$8.0	$34.5
COST TOTAL	$63.3	$91.1	$118.2	$134.2	$149.8	$556.5

Note: Numbers may not sum to total due to rounding.
** Includes $4.8 billion for active transportation in addition to capital project investment level of $8.1 billion for a total of $12.9 billion for active transportation improvements*