

CHAPTER 5

FINANCIAL ELEMENT

The Regional Transportation Plan (RTP) must be a funding constrained (fully funded) document. The purpose of the Financial Element is to assess the financial issues associated with implementing the transportation projects and programs that implement the goals, objectives, and policies contained in the RTP. The discussion will look at the current and potential funding sources, along with the transportation improvements that would be implemented under various financial scenarios.

The overarching issue in this Financial Element is that the revenues are far less than what is needed to develop and sustain the regional transportation infrastructure Placer County needs both now and for the future. Chapter 1 shows that population jumped 44% between 1990 and 2000, and will grow by another 44% over the planning period from 2005 to 2027. At the same time, revenues for regional transportation improvements have not kept up. Through most of the 1990's, cash flow to the State Transportation Improvement Program (STIP) was essentially flat. By 2002, PCTPA was able to extract promises for nearly \$200 million for key projects but, because of more recent State budget problems, those funds keep being pushed out into the future. Compounding the problem is the continuing escalation of costs for transportation projects, generated by a combination of higher costs for construction materials and inflationary factors.

All Placer jurisdictions have developer impact fees to pay for transportation impacts to the local jurisdictions, but regional facilities remain a challenge. In an attempt to stem the tide, four Placer jurisdictions – Lincoln, Roseville, Rocklin, and Placer County – formed the South Placer Regional Transportation Authority (SPRTA) and established a Regional Transportation and Air Quality Mitigation Fee. This \$125 million, 20 year mitigation program provides funding for key projects including Sierra College Boulevard improvements, I-80/Douglas Boulevard Interchange improvements, the Lincoln Bypass, Placer Parkway, and rail and transit programs.

This Financial Element illustrates that, while the SPRTA fee program is a significant step, the State and Federal funding available for regional transportation improvements continues to lag heavily behind the increasing need projected. This lack of funding will translate to significant increases in traffic congestion, worsening air quality, reduced productivity and, ultimately, a lower quality of life for Placer residents.

5.1 Assumptions

Preparing forecasts of anticipated transportation revenues is difficult at best, due to the ever changing transportation picture in California. A key task in the preparation of a long range transportation funding strategy is an assessment of revenue potentially available from existing federal and state programs and local sources. Program descriptions and financial assumptions are provided in Appendix A-4.

KEY ASSUMPTIONS

- **State and Federal Highway revenues** projected for the first five years reflect the amounts programmed in the State Transportation Improvement Program (STIP). For the remainder of the RTP period, it is assumed that Placer's County Share will average approximately \$9 million per year.
- **Interregional Transportation Improvement Program (ITIP) funding** is projected based on prior year funding and projects that might reasonably attract future funding.
- **Federal Transportation Equity Act for the 21st Century (TEA-21)** is assumed to be reauthorized in 2005. Key funding programs are projected to remain largely unchanged, and funding levels are assumed to be based on a \$286 billion program. Future Federal transportation bills are assumed to occur each six years, at a 10% increase with each reauthorization.
- **Local Transportation Funds** are assumed to increase at a 5% annual level for the planning period. Under the Transportation Development Act (TDA), transit has the first priority for these funds, but any amount available after all transit needs that are reasonable to meet are provided may be spent on street and road purposes.
- **Gas tax revenues** are projected to remain at FY 2003 levels.
- **Proposition 42 revenues** are assumed to be available and rise at a rate of 2% annually.
- **Federal transit programs** are assumed to remain at FY 2003 levels.
- **Rail operations funding** is assumed to be provided by the state to fully fund the Capitol Corridor service's Business Plan.

Based on these assumptions, this section assesses funding available for Placer County projects for the planning period extending through to 2027. The presentation begins with an overview of existing sources and mechanisms, followed by forecasts for available and committed funds ("baseline") and discretionary funds controlled by federal, state, and regional bodies. Finally, a series of funding strategy concepts, or scenarios, are developed that illustrate alternative approaches for developing a long-range transportation funding strategy.

5.2 Current Funding Sources

FEDERAL

One of the largest sources of transportation funds that flow to Placer County is Federal funding. Using funds generated by the Federal gas tax, funding is provided for highway, transit, and safety programs for six years periods under authorizing legislation enacted by Congress. The current transportation bill known as the Transportation Equity Act of the 21st Century (TEA 21) expired on September 30, 2003 and has been extended on continuing resolutions. Once reauthorization occurs, it is expected that the programs included in it will be largely similar to the current program.

Funding is generated almost entirely by a motor fuel tax and distributed through over twenty different programs that control application by facility type, permitted use, and geographic location. Program descriptions and financial assumptions are provided in Appendix A-4.

Regional Surface Transportation Program (RSTP): \$52 million by 2027.

Congestion Mitigation and Air Quality Program (CMAQ): \$57 million by 2027.

Federal Discretionary Programs: Funding for these programs vary—some are formula driven and others are nationally competitive.

Federal Demonstration Program (high priority projects): \$69 million by 2027 (approximately \$3 million average per year).

Federal Transit Administration (FTA) Access to Jobs: Varies.

FTA Section 5307 (urbanized areas by formula): \$26 million by 2027.

FTA Section 5311 (non-urban/rural areas by formula): \$4.2 million by 2027.

FTA Section 5310: \$4.7 million by 2027.

Airport Improvement Program (AIP): Approximately \$165 million was provided to California airports in 1999.

STATE

State funding also comes largely from the fuel tax, though Proposition 42 passed in 2002 is supposed to provide a significant contribution from the state sales tax on motor fuel. State programs of interest to Placer County include:

State Transportation Improvement Program (STIP): The currently programmed STIP (2004-05 through 2008-09) has total funding of \$7.76 billion, of which RTIP comprises \$5.4 billion and ITIP is \$2.36 billion. Placer County currently has \$109.7 million in county shares programmed, with another \$109.5 million in ITIP.

Transportation Enhancement Activities Program (TEA): This federal funding source is now programmed through the STIP. Estimated program level for Placer is \$2.16 million in the 2004 STIP.

Local Transportation Fund (LTF): \$746 million by 2027.

State Transit Assistance (STA) Fund: Funding levels vary annually, based on the state budget; estimated at \$19.6 million by 2027.

Highway-Railroad Grade Separation Program: Current statutes require that \$15 million be included in each annual state budget for grade separation projects under this program.

Environmental Enhancement and Mitigation Program (EEM): The annual program level available statewide is \$10 million via competitive grants. Assuming it continues, \$220 million is expected statewide by 2027.

Bicycle Transportation Account Program (BTA): This is a competitive grant program estimated at \$7.2 million statewide in fiscal year 2004/05. Roseville received \$55,000 in 2003/04.

Traffic Congestion Relief Program (TCRP): The TCRP was a one-time direction of surplus state funds to transportation purposes, which was suspended with the State's budget crisis in 2003. Projects under this program are still pending. None are in Placer County.

Fuel Taxes: The State of California imposes an excise tax of 18 cents per gallon on motor fuel. These funds are then distributed by formula directly to cities and counties for street and road maintenance. Direct subvention to local jurisdictions is estimated at \$392 million by 2027.

California Aid to Airports Program (CAAP): A total of \$6.6 million was available for the CAAP in 1999.

LOCAL

Transit Fares: Funds generated by passenger fares on transit are used to help fund that transit system. Under the requirements of the TDA, fares must generate at least 10% of the operating revenue for rural transit systems, and 15% for others. Fare generation is estimated at \$102 million by 2027.

Traffic Impact Fees: Under state law, jurisdictions may impose fees on development that mitigate their impacts on traffic generated by the new development on the road system. The South Placer Regional Transportation Authority (SPRTA) imposes a Regional Transportation and Air Quality Mitigation Fee that will generate \$125 million by 2022 for specified projects. Local jurisdictions also impose traffic impact fees at varying levels.

Local Transportation Sales Tax: Counties may impose a sales tax dedicated to transportation purposes with the approval of 2/3 of the county's voters. Placer does not currently have a transportation sales tax.

User Fees: Some transportation providers and facilities may impose fees for the use of those facilities. Such user fees may include toll roads, parking fees, airport landing fees, airplane hangar rental fees, and so on.

5.3 Estimated Revenue and Expenditures

REGIONAL ROAD NETWORK

Committed Funding

Funding sources applicable to regional roads which are considered reasonably likely to remain available and committed in some form through 2027 are:

- Federal: Regional STP, TEA, and CMAQ;
- State: RTIP; and
- Local: LTF, fuel tax subventions, and traffic impact fees.

In Placer County, only the Regional STP, TEA, CMAQ, state funding through the RTIP/STIP process, and some local general fund and miscellaneous contributions are considered likely to generate funding above existing commitments during this period. In other words, the LTF and fuel tax subventions are thought to be fully programmed to known needs for the duration of the period.

Proposition 42 provides funding for road maintenance to be apportioned among cities, on the basis of population, and counties, on the basis of vehicle registrations and lane-miles of roadway, starting in 2008/09.

Based on current law, policy, and practice, and on estimates of future economic activity underlying the generation of tax revenue, forecasts of revenue yield for the planning period are:

Regional STP	\$ 52 million
RTIP and TEA (combined)	\$224 million
ITIP	\$109 million
Regional Impact Fees	<u>\$125 million</u>
Total	\$510 million

Discretionary Funding

Potential discretionary sources include:

- Federal demonstration projects and earmarks;
- State Interregional Transportation Improvement Program (ITIP) and State Highway Operations and Protection Program (SHOPP) funding; and
- Other new local funding contributions.

Based on recent and past experience, and on the assumption that apportionment and programming policies will continue in roughly their present form, estimated discretionary funding potentially available over the planning period is:

Federal Demonstration/Earmark Funds	\$ 69 million
State ITIP and SHOPP Funds	\$ 56 million
Local impact fees/developer contributions	<u>\$ 197 million</u>
Total	\$322 million

It is reasonable to assume that most, if not all, of projected federal discretionary funding would be available only after 2005 and state funds will likely be available after 2010. Local funds, on the other hand, could be committed at any point during the period.

TRANSIT

Committed Funding

Local Transportation Fund

The LTF forecast was developed using the FY 2004/05 LTF escalated at 5% annually for the planning period. For short range planning, PCTPA has been assuming a 4 to 4.5% increase in LTF annually. For the long term, however, the per capita revenue assumption considers the overall magnitude of growth that will occur. Per capita LTF has increased from \$34.95 in 1995/96 to \$51.10 in 2001/02 and now \$61.13 in 2005/06. The increase is much higher than can be accounted for from inflation alone, thus justifying a slightly higher average annual escalation over the planning period.

The resulting estimate provides a total of \$746 million over the planning period, primarily for transit purposes.

FTA Section 5307

The changes to the urbanized area resulting from the 2000 Census mean that a greater portion of the county is eligible for Section 5307 funds. This formula grant is estimated to be \$26 million over the planning horizon, distributed to Roseville, Rocklin, Loomis, Auburn, and Placer County. These funds are used primarily for capital purchases.

FTA Section 5311

The FTA formula for the rural areas of Placer County is estimated to be \$4.2 million over the planning horizon. This amount is split among the jurisdictions of Colfax, Lincoln, and Placer County.

AVIATION

State and federal airport grant programs make up the bulk of funding for the Auburn Municipal Airport. Funding sources for the improvement projects at the Lincoln Regional Airport come from Federal Airport Improvement Program funding and local sources, such as aircraft landing fees, airport tenant rental fees and the City of Lincoln. Placer County does not participate financially in operating the Blue Canyon Airport. All funds are derived from the State for operating and maintenance projects.

The Auburn Municipal and Lincoln Regional Airports are highly self-sufficient airports depending on federal funds only for large capital projects. State funding has been an insignificant portion of annual operations for each airport. Neither airport is a burden to local municipal budgets because no general fund revenues are needed for airport operations. In fact, it appears that the airports generate more in property taxes for the Placer County General Fund that is necessary to support airport activities.

Refer to Table 3.4-1 for the Auburn Municipal Airport and Lincoln Regional Airport Capital Improvement Plans.

NON-MOTORIZED AND LOW-SPEED TRANSPORTATION

Non-motorized transportation uses are eligible for both CMAQ and TEA funds. However, due to specific air quality non-attainment issues, local priorities for CMAQ funding have focused on projects which will make more measurable improvements to air quality, such as replacement of heavy-duty diesel-fuel vehicles with alternatively-fueled vehicles. At the same time, TEA funds have been folded in with RTIP dollars.

Depending on long term air quality issues and competing priorities, it is expected that perhaps \$57 million will be available for CMAQ eligible projects under future federal programs. The Transportation Development Act provides for ¼ cent of the state sales tax that is generated in each county to be returned to the source county and spent on transit and related projects. State law allows 2% of TDA funds to be set aside for bicycle and pedestrian projects. In Placer County, that is anticipated to generate approximately \$15 million to 2027.

The funding level for the State Bicycle Transportation Account is \$7.2 million annually as of 2005. Availability of these funds will sunset in July 2006 unless extended by legislation. Although these funds are competitive, all Placer jurisdictions are eligible for funding from this source.

5.4 Conclusions

Based on the preceding revenue/expenditure analysis, the Placer County region will not have the necessary funds to implement all of the region’s transportation needs during the horizon of this plan. The most significant funding shortfall has been identified for major state highway improvements. As for other transportation modes identified in the RTP, additional revenues are needed – albeit at a lower cost - to implement the needs for transit, bikeways, aviation, rail, and other transportation system improvements.

Table 5.4-1 below compares the anticipated funding available, according to the RTP Financial Element, to the funded projects as detailed in the RTP Action Element. Funded projects are those for which federal, state, or local financial support can reasonably be expected to be available during the planning period. Some funded projects are noted as “developer funded”, which means that it is likely that new development will be required to pay, through local impact fees or other agreements, for these improvements. Unfunded projects are those for which no foreseeable likely source of funding has been identified.

Table 5.4-1
Comparison of Planned Projects to Funds Available

Projects	Estimated Cost (from Action Element)	Funds Available	Funding Source
Developer funded projects (non-transit)	\$327M	\$327M	Regional impact fees, traffic impact fees, other developer fees
Other funded projects (non-transit)	\$650M	\$650M	RSTP, CMAQ, RTIP, ITIP, SHOPP, Federal demo and earmarks
Transit funded projects ¹	\$776M	\$776M	LTF, FTA
Unfunded projects	\$1.3B	-	-

¹ LTF will be used for ongoing transit operating expenses, transit capital acquisition (matching federal funds), and street/road projects in accordance with the Transportation Development Act.

Essentially, Table 5.4-1 says that, under currently projected conditions, nearly half of the transportation needs for Placer County through 2027 will remain unfunded.

What is more critical is the impact of that funding shortfall over time. Table 5.4-2 shows the worsening condition of traffic congestion on Placer roads under different levels of funding. The 44% increase in population in Placer, compounded by freight traffic and population increases in other areas, will double vehicle miles of travel (VMT). It is projected that even with needed transportation improvements, congested miles of travel (Level of Service [LOS] D or worse) will increase by 6% (from 32% to 38%) and gridlock (LOS F) will increase by about 10%

However, without additional funding, the conditions are far worse, with congested miles increasing by 10% and gridlock increasing by a whopping 26%.

Table 5.4-2
Projected Traffic Conditions for Placer Roads

	Existing (2001)	Projected under Funding Constrained Scenario (2027)	Projected under Funding Unconstrained Scenario (2027)
Vehicle Miles of Travel (peak period)	3,310,000	6,415,000	6,601,000
% at LOS D or worse	32%	42%	38%
% at LOS F	5%	31%	15%

This lack of funding will translate to reduced mobility for both people and freight, reduced productivity and, ultimately, a lower quality of life for Placer residents.