

2040 RTP

Chapter 5: Financing Our Transportation Investments



This chapter describes the nuts and bolts of the financial forecasts for the San Benito region.

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This chapter describes the financial strategy needed to operate, maintain, and expand the multi-modal list of transportation projects identified in the next chapter. In identifying which projects will advance the region's goals through the year 2040, the Council of Governments must consider how much funding is projected to be available to the San Benito region over the next 22-years. *Funding forecasts show that project costs exceed the projected revenues – affecting the number of identified projects.*

As discussed in earlier chapters, the lack of adequate funding levels is the biggest challenge facing the San Benito region in its delivery of transportation projects and programs. As the region grows, the strain on available resources will continue to be a challenge. Given the funding circumstances, it is critical to set clear priorities for limited funds and pursue new revenues to address the backlog of transportation needs.

The fund projections included as Appendix B were developed in collaboration with regional partners in the Monterey Bay Region who subscribed to the same methodology in preparation of their Regional Transportation Plans. The Council of Governments developed the financial projections based on these guiding assumptions:

- Projections of revenues that rely on historical patterns of funding from federal, state, regional, and local sources, as well as conservative assumptions about future growth conditions (i.e. escalation rate).
- Funding identified in currently adopted plans and programs
- Guidance from local, state, and federal agencies
- Direction from policymakers regarding consideration of new, alternative revenues



PROJECTED FUNDING THROUGH 2040

Transportation projects in the San Benito region are funded through a variety of federal, state, regional, and local funding sources. Based on projected revenue sources, approximately \$1.2 billion is reasonably anticipated to be available to finance \$1.8 billion in transportation project costs between the years 2018 and 2040.

Federal and state funding for transportation is critical; however, it is insufficient to cover the growing needs of the San Benito region. As illustrated in Figure 5-1, 40% or \$508 million of the anticipated revenues come from local sources, primarily from the transportation mitigation impact fee program.

State and federal sources account for a combined 43% or \$543 million in funding over the next 22-year timeframe. The “other” funding category includes monies from the Santa Clara County Valley Transportation Authority for two specific projects.¹ Regional funds consist of those provided by the Monterey Bay Air Resources District.

Like so many funding sources, transportation funding is often dedicated for specific uses. Some funding categories may be considered broad, generic groupings, while others have restrictions defined by federal and state law. For example, Active Transportation Program monies cannot be redirected to bridge projects.

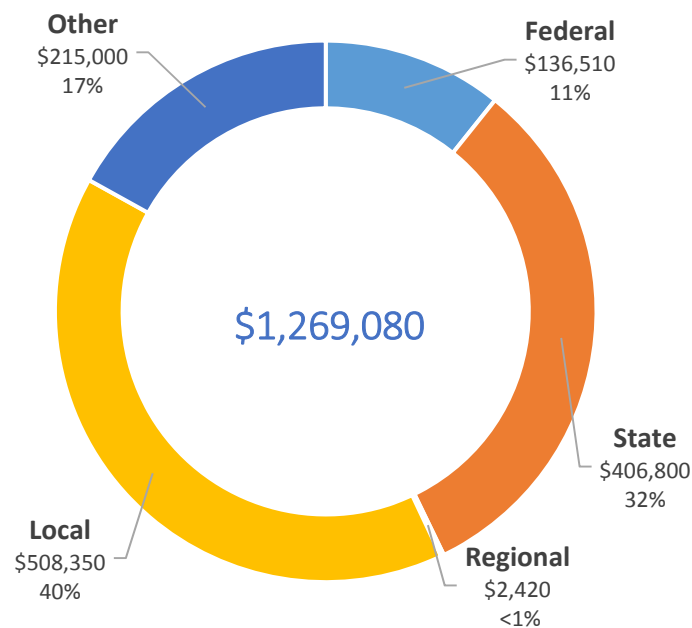


Figure 5-1, 22-Year Revenue Projections, Non Escalated (000's)

Source: Council of San Benito County Governments

¹ Highway 101/25 Interchange Project and the new SR 152 Alignment: Environmental Study

DEDICATED VERSUS DISCRETIONARY FUNDS

The projected revenues, \$1.2 billion, are categorized as either “dedicated” to specific uses, or are considered “discretionary/flexible” and available for a variety of transportation uses.

As shown in Figure 5-2, 59% or \$746 million² is “dedicated” for use by specific jurisdictions and/or types of projects. For example, some funding sources are exclusively designated for capital projects on the state highways, while other flexible sources may be applied to projects that support both active transportation and roadway improvements, such as roundabouts.

“Discretionary” or relatively “flexible” funding is typically available for a variety of projects, this makes up 41% of the local, regional, state and federal funding or \$522 million. Discretionary monies must still meet the parameters of the specific funding source in which they derive from.

The following section outlines the major federal, state, local, regional, and “other” revenue assumptions for the San Benito region through the year 2040.

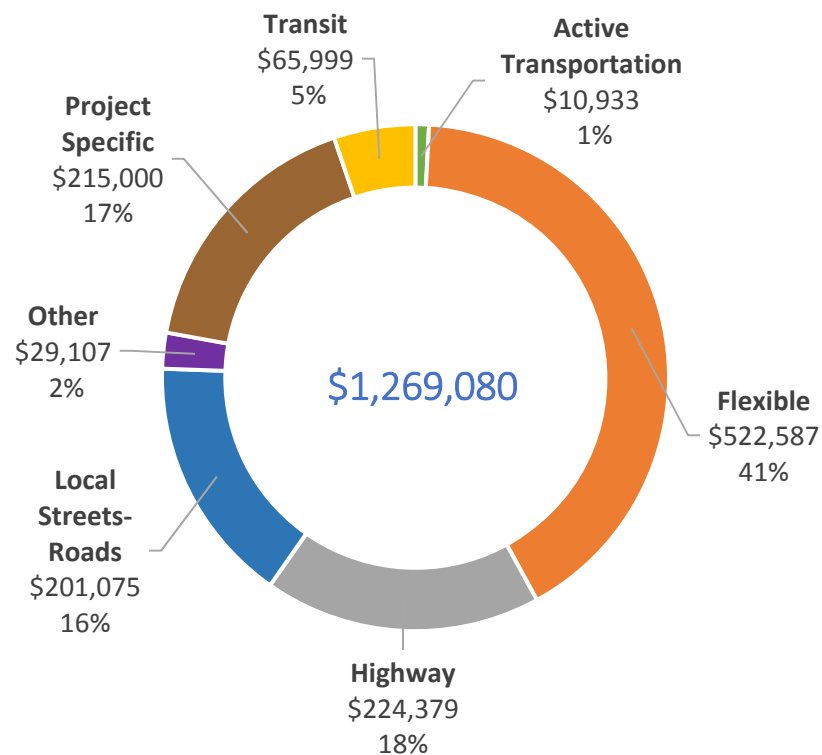


Figure 5-2, 22-Year Revenue Projections by Mode, Non Escalated (000's)
Source: Council of San Benito County Governments

² Includes: Highway, Transit, Local Streets-Roads, Active Transportation, Project Specific and “other”

TRANSPORTATION FUNDING

FEDERAL FUNDING SOURCES

Over the next 22-years, 11% or \$136 million, of the transportation funds for the San Benito region are expected to come from federal funding sources.

Federal monies for transportation are delivered through the federal transportation funding bill. On December 4, 2015, President Obama signed into law Public Law 114-94, the Fixing America’s Surface Transportation Act (FAST Act). The FAST Act funds surface transportation programs—including, but not limited to, Federal-aid highways—at over \$305 billion for fiscal years (FY) 2016 through 2020. It is the first long-term surface transportation authorization enacted in a decade that provides long-term funding certainty for surface transportation. This summary reviews the policies and programs of the FAST Act administered by the Federal Highway Administration (FHWA).



The Moving Ahead for Progress in the 21st Century Act (MAP-21), enacted in 2012, included provisions to make the Federal surface transportation more streamlined, performance-based, and multimodal, and to address challenges facing the U.S. transportation system, including improving safety, maintaining infrastructure condition, reducing traffic congestion, improving efficiency of the system and freight movement, protecting the environment, and reducing delays in project delivery. The FAST Act builds on the changes made by MAP-21. Setting the course for transportation investment in highways, the FAST Act:

- **Improves Mobility on America’s Highways**

The FAST Act establishes and funds new programs to support critical transportation projects to ease congestion and facilitate the movement of freight on the Interstate System and other major roads. Examples include developing a new National Multimodal Freight Policy, apportioning funding through a new National Highway Freight Program, and authorizing a new discretionary grant program for Nationally Significant Freight and Highway Projects (FASTLANE Grants).

- **Creates Jobs and Supports Economic Growth**

The FAST Act authorizes \$226.3 billion in Federal funding for FY 2016 through 2020 for road, bridge, bicycling, and walking improvements. In addition, the FAST Act includes a number of provisions designed to improve freight movement in support of national goals.

- **Accelerates project delivery and promotes innovation**

Building on the reforms of MAP-21 and FHWA’s Every Day Counts initiative, the FAST Act incorporates changes aimed at ensuring the timely delivery of transportation projects. These changes will improve innovation and efficiency in the development of projects, through the planning and environmental review process, to project delivery.

This financial plan assumes that federal funds will continue to remain available; however, core revenues are expected to decline due to increasing fuel efficiency. A significant apportionment of funding comes through fuel taxes and fees, so a decline in fuel sales will lower revenues.³

Figure 5-3 illustrates the federal revenue sources that are projected for the San Benito region over the next 22-years.

Federal Program	Description	Projected Revenue (Dollars in 000s)
Active Transportation Program	The program allows cities, counties, transit agencies and other public agencies to compete for grants to build bicycle/pedestrian paths, install bike racks, and other projects or programs that make walking or biking easier, safer and more convenient.	10,933
Highway Bridge Program	The Highway Bridge Program provides funding to improve the condition of highway bridges through replacement, rehabilitation, and systematic preventive maintenance. ⁴	\$70,774
Highway Safety Improvement Program	The goal of the program is to achieve a significant reduction in traffic fatalities and serious injuries on all public roads, including non-State-owned public roads and roads on tribal lands. ⁵	\$8,580

³ Federal Highway Administration

⁴ U.S. Department of Transportation, Federal Highway Administration

⁵ U.S. Department of Transportation, Federal Highway Administration

Enhanced Mobility of Seniors and Individuals with Disabilities (5310)	The 5310 program awards grants to private non-profit organizations to serve the transportation needs of the elderly and persons with disabilities. ⁶	\$2,387
Federal Aviation Administration Airport Improvement Plan	Airport Improvement provides grants to public agencies for planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems. ⁷	\$3,300
Federal Railroad Administration	This program provides grant funds to develop safety improvements and encourage the expansion of passenger and freight rail infrastructure and services.	\$10,000
FEMA/CALEMA/ER - Emergency Road Repair Funding	FEMA's provides grant funding to eligible applicants for repair and replacement of non-Federal aid roads and bridges following a declared major disaster or emergency.	\$5,016
Surface Transportation Block Grant	Previously operated under the name Regional Surface Transportation Program. This program funds construction, reconstruction, rehabilitation, resurfacing, restoration, and operational improvements on federal and state highways, local roads, and bridges.	\$16,698
Rural Area Formula Program (5311)	This rural transit program provides funding for the purpose of supporting public transportation in rural areas, with a population of less than 50,000. ⁸	\$7,370
Transit Planning Grants (5304)	The Transit Planning grant program is funded by the Federal Transit Administration, which has authorized Caltrans to distribute these grant funds. Funds can be used for transit planning for sustainable communities and for rural communities. ⁹	\$440
High Risk Rural Road	The program provides funding for any roadway functionally classified as a rural major or minor collector or a rural local road with significant safety risks.	\$1,012
Total		\$136,510
<p>Figure 5-3 Federal Funding Sources for the San Benito Region, Current Year Dollars (000's) Source: Council of San Benito County Governments</p>		

⁶ U.S. Department of Transportation, Federal Transit Administration
⁷ U.S. Department of Transportation, Federal Aviation Administration
⁸ U.S. Department of Transportation, Federal Transit Administration
⁹ California Department of Transportation

STATE FUNDING SOURCES

Over the next 22-years, 32% or \$406 million, of the transportation funds for the San Benito region come from state funding sources.

California has a large and complex network of transportation systems that currently face several challenges, such as aging infrastructure and increased demand. In the fall of 2015, as part of a special legislative session to identify additional funding for transportation programs, the Governor proposed a transportation package to provide an ongoing increase in transportation funding and some measures intended to increase accountability and efficiency regarding the use of transportation funding.

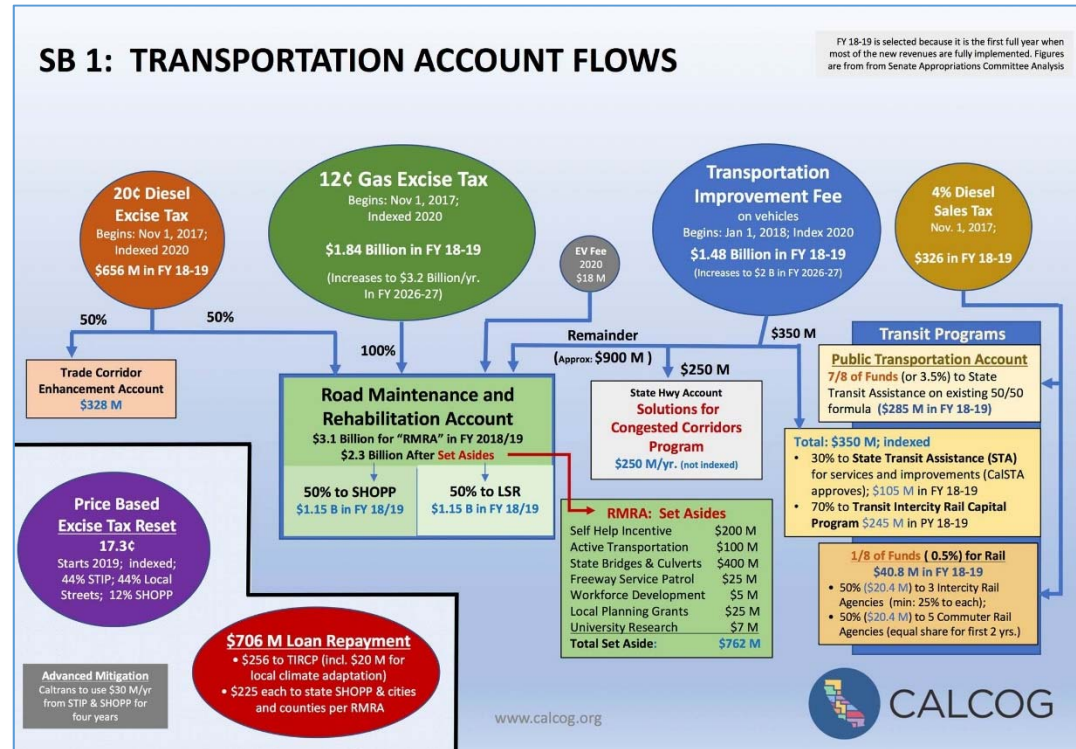
Funding for California's transportation investments are comprised of some of the following taxes and fees:

- **State Fuel Excise Tax:** The State of California collects 35.3¢ per gallon excise tax on gasoline and 13¢ per gallon on diesel fuel, which historically has generated over \$3 billion a year.
- **Fuel Tax Swap (2011):** Eliminated the state sales tax on gasoline and instead imposed an additional excise tax on gasoline of 17.3¢ per gallon.
- **Senate Bill 1:** In 2017, the State of California passed Senate Bill 1, *Road Repair and Accountability Act*, which establishes stable funding for transportation funding in California. The bill will address existing transportation issues for cities and transit agencies across the state, it shows that California can raise significant funding for transportation in an era of dwindling federal resources. The transportation investment bill prioritizes local roads, freeways and bridges in communities across California and puts more dollars towards transit and safety.



Below, is a listing of the estimated statewide revenue that will be generated from SB 1 and the date of implementation.

- \$1.8 billion – 12 cent increase to gasoline excise tax (Nov. 1, 2017)
- \$730 million – 20 cent increase to diesel excise tax (Nov. 1, 2017)
- \$300 million – 4% addition to diesel sales tax (Nov. 1, 2017)
- \$704 million – One-time loan repayment (2017-2020)
- \$1.6 billion – \$25-\$175 transportation improvement fee (Jan 1, 2018)
- \$1.1 billion – 17.3 cent reset of price-based gas tax (July 1, 2019)
- \$20 million - \$100 zero emission vehicle registration fee (July 1, 2020)



SB 1 Transportation Account Flows

Source: California Association of Councils of Government (CALCOG)

The 22-year funding distribution of SB 1 monies, by San Benito local jurisdiction, is identified in Figure 5-4.

Figure 5-4 illustrates the state revenue sources that are projected for the San Benito region over the next 22-years.

State Program	Description	Projected Revenue (Dollars in 000s)
Airport Improvement Program Match	The program grants funds for planning, development, or noise compatibility projects that are at or associated with individual public-use airports including heliports and seaplane bases. ¹⁰	\$176
California Aid to Airports Program	The purpose of the program is to assist in establishing and improving a statewide system of safe and environmentally compatible airports whose primary benefit is for general aviation. ¹¹	\$220
California General Fund Loan Repayment	Three Year State General Fund Loan Repayment Funds: SB1 stipulates the repayment of \$706 million by the state General Fund to transportation funds over the next three fiscal years: 2017-18, 2018-19, and 2019-20. The Governor and Legislature have been repaying transportation funds for previous borrowings for several years. Thus far the repayments have gone to other transportation programs that were owed. Under SB1, \$75 million will be allocated to local streets and roads from these loan repayments in each of the next three years. These funds will be allocated half to cities and half to counties with the city funds allocated among cities on a per capita basis, the county funds allocated among counties based on numbers of registered vehicles and county road mileage.	\$487
Low Carbon Transit Operations Program	Created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities.	\$946
SB1 RMRA Local Gas Tax: City of San Juan Bautista	The Road Maintenance and Rehabilitation Account prioritizes funding for local roads, freeways and bridges in communities across California and put more dollars towards transit and safety.	\$680
SB1 RMRA Local Gas Tax: City of Hollister	The Road Maintenance and Rehabilitation Account prioritizes funding for local roads, freeways and bridges in communities across California and put more dollars towards transit and safety.	\$13,399
SB1 RMRA Local Gas Tax: County of San Benito	The Road Maintenance and Rehabilitation Account prioritizes funding for local roads, freeways and bridges in communities across California and put more dollars towards transit and safety.	\$38,104

¹⁰ Federal Aviation Administration

¹¹ California Department of Transportation

SB1 RMRA: State Highway Operations and Protection Program	Road Maintenance and Rehabilitation Account funds for maintenance of the State Highway System and supporting infrastructure. Projects usually fall into the categories: collision reduction, major damage restoration, bridge preservation, roadway preservation, roadside preservation, mobility enhancement, and preservation of other highway transportation facilities related to the state highway system.	\$74,910
SB1 State Transit Assistance	The Road Maintenance and Rehabilitation Account prioritizes funding for local roads, freeways and bridges in communities across California and put more dollars towards transit and safety.	\$7,060
State Highway Operations and Protection Program	The State Highway Operations and Protection Program funds the maintenance of the State Highway System and supporting infrastructure. Projects usually fall into the categories: collision reduction, major damage restoration, bridge preservation, roadway preservation, roadside preservation, mobility enhancement, and preservation of other transportation facilities related to the state highway system.	\$125,599
State Transit Assistance	Funds derived from the statewide sales tax on diesel fuel, are for the development and support of public transportation needs that exist in California and are allocated to areas of each county based on population, taxable sales and transit performance.	\$7,102
State Transportation Improvement Program-Interregional Share	Funds are available to the California Department of Transportation (Caltrans) for state highway improvements, intercity rail, and regional highway and transit improvements. ¹² Funds are divided into two categories: interregional and regional.	-\$81,169
State Transportation Improvement Program-Regional Share	Funds are available to Regional Planning Agencies for capital improvement program for state highway improvements, intercity rail, and regional highway and transit improvements. Funds are divided into two categories: interregional and regional.	\$15,654
Transportation Development Act/LTF	Local Transportation Fund (LTF), which is derived from a ¼ cent of the general sales tax collected statewide.	\$35,200
SB1 Programs	Local Partnership Program, Trade Corridors, Solutions for Congested Corridors Program	\$4,400
Transit Assistance State of Good Repair (SGR)	A program that will provide additional revenues for eligible transit maintenance, rehabilitation and capital projects.	\$1,694
Total		\$406,800

Figure 5-4 State Funding Sources for the San Benito Region, Current Year Dollars (000's)

Source: Council of San Benito County Governments

¹² California Transportation Commission

LOCAL FUNDING SOURCES

Over the next 22-years, 40% or \$508 million, of the transportation funds for the San Benito region come from local funding sources.

Local fund sources augment state and federal funds, allowing for additional transportation investments in the region. This funding is used on local streets and roads for maintenance and system preservation. Additional funds are generated by the adopted Traffic Impact Mitigation Fee program, which funds both local roads with bicycle facilities and state highway capacity projects.

These Traffic Impact Mitigation Fees pay for the costs attributable to the increased demand for public facilities reasonably related to development projects, per Government Code Section 66001. COG has also identified a 30 year ½ cent sales tax measure that would generate \$240 million to fund improvements to Highway 25, local street and road maintenance, and other local transportation improvement projects.



Figure 5-5 illustrates the local revenue sources that are projected for the San Benito region over the next 22-years.

Local Program	Description	Projected Revenue (Dollars in 000s)
Airport Revenue	Hollister Municipal Airport funding generated locally through a variety of methods including user fees and lease agreements.	\$14,960
COG Transportation Sales Tax	The Council of Governments identified a 30-year ½ cent sales tax for transportation. An estimate of twenty years of funding is included in this 2040 Regional Transportation Plan. The 30-year estimate would total \$234 million.	\$156,000
Gas Tax (Highway User Tax)	Cities and counties receive Highway User Tax revenue (\$0.13 per gallon for diesel fuel and \$0.18 per gallon for gasoline) based on population. ¹³	\$69,050
Public Transit Fares	The Local Transportation Authority collects fares from passengers using the transit system.	\$3,801

¹³ California City Finance

Regional Developer Impact Fees	Regional developer impact fees are assessed on new development to pay for new transportation infrastructure needs, as governed by AB1600 (1987). Fee levels are calculated based on a selected list of projects to be funded; due to nexus rules requiring a demonstrated reasonable relationship between the impact and improvement, these are almost exclusively road and highway system expansion. ¹⁴ In 2016, COG approved a new Regional Transportation Impact Mitigation Fee which identifies funding for a variety of projects, including improvements on Highway 25.	\$262,944
Service Authority for Freeways and Expressways	The goal of SAFE is to quickly identify and respond to freeway incidents such as breakdowns and accidents in order to minimize their impacts in terms of congestion, public safety and air quality, and to increase the reliability of the freeway system and better manage traffic flow. ¹⁵ This could be in form of providing emergency call boxes and/or freeway service patrols.	\$1,144
Vanpool Lease	The Council of Governments collects fees in exchange for the lease of vans to commuter groups.	\$451
Total		\$508,350
Figure 5-5 Local Funding Sources for the San Benito Region, Current Year Dollars (000's)		
Source: Council of San Benito County Governments		

¹⁴ Statewide Transportation Needs Assessment Revenue Report

¹⁵ California Department of Transportation

REGIONAL AND OTHER FUNDING SOURCES

Over the next 22-years, 0% or \$2.4 million of the transportation funds for the San Benito region are expected to come from regional funding sources.

Figure 5-6 illustrates the regional revenue sources that are projected over the next 22-years.

Regional Program	Description	Projected Revenue (Dollars in 000s)
Assembly Bill 2766	The Monterey Bay Unified Air Pollution Control District allocates the vehicle registration surcharge fee to fund a grant program. The program funds planning, monitoring, enforcement, capital, and technical studies. ¹⁶	\$2,420
Total		\$2,420
<p>Figure 5-6 Regional Funding Sources for the San Benito Region, Current Year Dollars (000's) Source: Council of San Benito Governments</p>		

Over the next 22-years, 17% or \$215 million of the transportation funds are identifies as “other” funding sources. In this case, the Regional Transportation Plan identifies two projects in Santa Clara County that are critical of circulation for the San Benito region.

Figure 5-7 illustrates the “other” revenue sources that are projected over the next 22-years.

“Other” Revenues	Description	Projected Revenue (Dollars in 000s)
Valley Transportation Authority	Funding provided by the Santa Clara County Valley Transportation Authority for the Highway 101/25 Interchange Project and the new SR 152 Alignment: Environmental Study.	215,000
Total		\$215,000
<p>Figure 5-7 “Other” Funding Sources for the San Benito Region, Current Year Dollars (000's) Source: Council of San Benito Governments</p>		

¹⁶ Monterey Bay Unified Air Pollution Control District

FUNDING UNCERTAINTIES

The Regional Transportation Plan assumes \$1.2 billion in projected revenues to be available within the 2040 planning period to support the transportation investments discussed in the next chapter.

These projections are intended to be used as a general tool to assist the Council of Governments, local jurisdictions and other project sponsors in determining the projects that are reasonable to prioritize in the short and long term of the Plan. The Council of Governments recognizes that funding projections may vary from year-to-year and may be impacted by the economy, state and federal laws and budgets, and fuel consumption and related gas tax revenues.

Financial projections were developed in coordination with partner agencies in the Monterey Bay region and are also used in the Association of Monterey Bay Area Governments' federally-mandated Metropolitan Transportation Plan (MTP). Projections are consistent with those figures shown in the California Transportation Commission's (CTC) State Transportation Improvement Program (STIP) Fund Estimate, Federal Transportation Improvement Program (FTIP) and other relevant programming documents.

NON-TRADITIONAL REVENUE SOURCES

The Council of Governments may consider non-traditional revenue streams to augment funding for transportation projects and programs. Opportunities to combine and phase construction of these projects using non-traditional funding sources is another option to meet the current and future needs of the traveling public.

FUNDING AVAILABILITY VS. TRANSPORTATION COST

Although new funding sources have been identified in the Regional Transportation Plan, they are not sufficient to meet the transportation need in the San Benito region. Funding assumptions for revenue projections through the 2040 planning period continue to reflect a conservative fiscal growth.

As noted earlier, the San Benito region is projected to receive \$1.2 billion in funding through the year 2040. Although forecasted revenues may seem substantial, they account for less than what would be needed to fund the \$1.8 billion in transportation project costs that are identified in the next chapter.