



Transportation Committee

Meeting Date: May 2, 2024

[[!Agenda Item No. {{item.number}}!]]

2025 Blueprint: Transportation Funding Outlook

Information

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Attachments: Yes

Approved by: Kristina Svensk

Referring Committee: Not Applicable

Issue:

Federal regulations require Metropolitan Transportation Plans like the 2025 Blueprint to be “fiscally constrained.” Specifically, SACOG is required to demonstrate that projects included in the Blueprint can be implemented using committed or reasonably available revenue sources.

Recommendation:

None; this item is for information only. Staff is seeking board input and direction on the development of a preliminary revenue forecast for the 2025 Blueprint.

Background/Analysis:

The 2025 Blueprint is a federally and state mandated plan that links land use and transportation planning across the six-county Sacramento region. Many transportation projects of regional significance or projects that intend to seek federal or state grants are required to be consistent with the regional plan. However, the plan cannot contain a list of every transportation project planned for in the region. Federal law requires SACOG to develop a financial plan that includes system level estimates for costs and revenues that are reasonably expected to be available to adequately build, operate, and maintain the regional transportation system over the life of the plan.

This financial element must account for state and federal transportation funding that comes to the region through formula distributions and competitive grants as well as locally derived sources of funding either dedicated to or historically used for transportation purposes. Further, the financial element needs to contain recommendations for how this funding should be allocated across major investment categories in service of achieving the triple bottom line goals described in the Policy Framework adopted by the board in February 2022. These goals include achieving health standards for clean air under the federal Clean Air Act; identifying strategies for addressing ongoing shortages in the production of affordable or attainable housing, addressing statewide climate goals; keeping transportation infrastructure in a state of good repair; and quantifying, monitoring, and working to reduce congestion and improve reliability of the transportation system.

Identifying transportation investments for the 2025 Blueprint

In every plan update, there are more transportation investments needed or wanted in the region than funding available to pay for them. To address this difference between needs or wants and the reality of limited resources, SACOG needs to collaborate with partner agencies to prioritize the most critical and cost-

effective investments. For this 2025 plan update, the collaborative effort is also focused on furthering the objectives of the triple bottom line framework set by the board. To this end, SACOG is following this process to develop a transportation investment strategy for the Blueprint by November of this year:

- **October 2021 to May 2022 - Call for Project Nominations:** SACOG staff conducted a call for transportation project nominations and a series of local agency kickoff meetings with local planning, department of transportation, and public works staff in late 2021 and into Spring 2022.
- **April 2022 to November 2023 – Project updates for Federal MTP and 2023 Metropolitan Transportation Improvement Program (MTIP):** SACOG staff worked closely with project sponsors to update project scope, cost and delivery year information for programmed projects in the federal plan and four-year program.
- **January to March 2024 – Discussion Scenario transportation network and project list development:** SACOG staff conduct initial analysis of all nominated transportation projects for the Blueprint Discussion Scenario.
- **March to May 2024 – Discussion Scenario Project List Review and staff-to-staff meetings:** SACOG staff hosted a project sponsor webinar on March 21, 2024, to describe key Blueprint development milestones and Discussion Scenario development steps. Sponsors received the Discussion Scenario project list that was also discussed with SACOG committees on April 4, 2024. SACOG staff have been hosting one-on-one staff-to-staff meetings, and email and phone correspondence to answer questions, collect feedback, understand local priorities and funding needs, and correct project list scope, budget, and schedule information.
- **June 2024 – Adopt Land Use Scenario:** The SACOG board will consider adopting a set of land use assumptions for the 2025 Blueprint.
- **June to July 2024 –Continue Transportation Discussion Scenario Development:** SACOG will use the adopted land use scenario to make initial adjustments to the Discussion Scenario transportation project list. Key considerations will include Federal Performance-Based Planning metrics and targets (safety, pavement/bridges, mobility), state climate goals, financial constraint (i.e., what can we afford and what type of money is available to pay for it?), and board direction including the triple bottom line goals of equity, economy, and environment.
- **August 2024 –Discussion Scenario-Transportation Assumptions Presentation:** Staff will present assumptions and performance outcomes attributable to the transportation and financial elements of the Discussion Scenario for the board’s review and further direction.
- **September to October 2024 – Investment Strategy Development:** Building on its August discussion, the board will continue deliberation on transportation investment strategy for the 2025 Blueprint.
- **November 2024 – 2025 Blueprint Preferred Scenario:** The SACOG board will consider adopting the final investment strategy for the 2025 Blueprint including a project list, investment priorities across major expenditure categories, and a supporting revenue forecast.

Discussion/Analysis:

This report is intended to provide an overview of the funding sources and preliminary estimates for the amount of money the region can reasonably expect to receive over the next 25 years. By November of this year, the board will consider adoption of a transportation investment strategy to support the land use assumptions that are the subject of much board conversation currently. Building on those land use conversations that are expected to culminate with board endorsement of final land use assumptions this June, the board will next contemplate how best to invest in building, maintaining, and operating a multimodal transportation system. To prepare for the board’s decision making on transportation investment priorities

and strategies, staff is seeking input from the committee about what major topics or issues related to transportation funding are of the greatest interest to members, including what questions, concerns, or ideas the board may have about new revenue sources that could be considered for the plan.

How much money are we planning for?

Funding for transportation comes to the region through numerous programs and distribution formulas but is generally derived from just a handful of sources. Federal and state fuel taxes alone historically make up over half of all funding for transportation in the region today. Sales tax revenues, both locally implemented and the portion of the state sales tax dedicated to transportation purposes, make up another critical source of transportation funding today. Other revenues are generated through transit fares, developer fees, and a variety of other sources.

The preliminary 2025 Blueprint budget outlook is roughly \$37 billion in today's dollars for the 25-year period of 2025 to 2050. For comparison, the 2020 plan, which covered a 20-year period from 2020 to 2040, contained a transportation budget of approximately \$35 billion. The table below outlines the major elements of the 2025 Blueprint budget compared to the 2020 plan. Attachment A summarizes the funding programs and sources that make up each of the major buckets of regional transportation funding.

2020 MTP/SCS compared to Draft 2025 Blueprint Revenue Forecast

	2020 Plan (2020-2040)	% of Total	2025 Blueprint (2025-2050)	% of Total
Regional Funding Program <i>*inc. federal and state funding sources</i>	\$1.9 billion	5%	\$1.8 billion	5%
Federal programs	\$3.0 billion	9%	\$4.5 billion	12%
State Programs	\$8.2 billion	23%	\$8.6 billion	23%
Local Programs	\$22.0 billion	63%	\$22.1 billion	60%
Total	\$35.1 billion		\$37.0 billion	

What's different from the last plan?

There are two major factors that contribute to the differences in these preliminary estimates for the 2025 Blueprint and the 2020 revenue forecast :

- 1) **Less state revenue from fuel taxes.** In August 2022, the California Air Resources Board approved the Advanced Clean Cars II rule that establishes a year-by-year plan to implement Governor Newsom's Executive Order N-79-20 which calls for 100 percent of new cars and light trucks sold in California to be zero-emission vehicles by 2035. This regulation will likely accelerate reductions in long-term demand for gasoline and diesel compared to our prior forecast. According to a recent report published by the [Legislative Analyst's Office](#), under the state's climate strategy, these reductions could result in a net decrease in state transportation funding programs by as much as 31 percent by 2035. This is after accounting for the increase in fuel tax created by Senate Bill 1 (SB 1) that added an inflation adjusted 12 cents per gallon to the state's excise tax on gasoline and an annual road improvement fee (RIF) charged to battery-electric and hydrogen fuel cell electric vehicles.
- 2) **Federal funding becomes more competitive.** The passage of the federal Infrastructure Investment and Jobs Act, also known as the Bipartisan Infrastructure Law, provides more than \$350 billion nationwide for federal investments in transportation infrastructure including roads, bridges, mass transit, safety improvements, and electric vehicle infrastructure between 2022 and 2026. While IIJA represents an

increase in funding over the previous federal transportation package, there are key differences that are important to note for thinking about transportation funding in the Sacramento region. IIJA largely maintains the existing formulaic programs that allocate federal funding to states and Metropolitan Planning Organizations like SACOG, with a couple exceptions such as the addition of the Carbon Reduction Program. However, most funding increases under IIJA occur for competitive programs administered by the Federal Highway Administration, Federal Transit Administration, and state departments of transportation. This shift in focus from formula to competitive programs is evident in the increased share of federal program dollars in the preliminary budget outlook table above, from 9 percent in the current plan to 12 percent for the Blueprint. While the vast majority of funding for transportation will continue to come from local and state sources, it will be increasingly important to effectively leverage these funds to attract greater investment from federal competitive programs for regional priorities.

What are options for additional revenue?

As mentioned above, there is never enough funding to pay for all the region's needs and wants for the transportation system. During the transportation project nomination process for the 2025 Blueprint, SACOG received nominations for more than \$28 billion in transportation investments including new or expanded roads and highways, light rail expansions, new transit vehicles, major reconstruction activities, active transportation projects, and other programs. These nominations alone do not fully account for the full costs of operating and maintaining a multimodal transportation system. For perspective, the Blueprint nominations proposed more than \$14 billion in road and highway expansion projects which compares to a little over \$6 billion toward these investments included in the region's current long-range plan. Additionally, the current MTP/SCS estimates the region is falling short by as much as \$500 million a year in road maintenance costs leading to further deterioration of already at-risk pavement conditions. To help fund critical investments needed throughout the region, the region can consider additional options to raise funding for transportation.

In the 2020 MTP/SCS, the board called on the state and the region to work together to find a more sustainable source of funding for transportation that reflects the growing demand on our system and is not impacted by diminishing fuel consumption. Federal law allows regions to identify and plan for new sources of revenue such as new sales taxes or changes in state funding mechanisms. Federal regulations also require the plan to identify clear strategies for ensuring the availability of any planned new revenue sources. The current plan reflects several new funding sources including:

- *Sales Taxes:* Local option sales tax increases in Sacramento and Placer Counties
- *Express Lanes:* Facility-based tolling on several major freeway facilities
- *Mileage-Based User Fees:* Replace state fuel taxes with a system that charges individuals based on how much they use the roadway system rather than how much gas they put in their vehicles.

Sales Taxes

Regarding the inclusion of new local option sales taxes in the plan, federal guidance states that any local ballot initiative would not be reasonable to include in an MTP if public polls indicate a strong likelihood of defeat or there is a recent history of repeated defeat of similar ballot initiatives. This is of particular importance as the region considers how to reflect new sales taxes that have the potential to contribute more than \$200 million annually to projects in the region. Maintaining these assumptions will require SACOG to work closely with the Sacramento Transportation Authority and Placer County Transportation Planning Agency to demonstrate the regional need and support for these measures.

Express Lanes

Express Lanes provide a smart traffic management system that allows users to pay a toll to enter a managed lane. Express Lanes use similar strategies to High Occupancy Vehicle (HOV) lanes, but also allow single occupancy and commercial vehicles to access the lanes to improve congestion and overall system reliability. This type of express lanes is frequently referred to as High-Occupancy Toll (HOT) lanes. Tolls can change based on real-time demand for a road and offer a reward system for carpooling or taking transit by allowing discounted or free entry. Single occupancy drivers are able to buy their way into the facility in exchange for a faster and more reliable trip. Express Lanes can manage congestion more effectively than a standard “freeway” facility by adjusting pricing, vehicle occupancy requirements, and number of express lanes and free lanes based on time-of-day congestion.

Mileage-Based User Fees

A mileage-based user fee system charges a fee based on how much a person drives on the roads. In its simplest form, this type of fee would use a cents per mile charge. A basic per-mile charge can be adjusted to account for a variety of conditions including time of day, congestion, and location. Most importantly, this system can serve as a long-term replacement for a fuel tax by providing a fair and sustainable way to pay for wear and tear on roadways, and a means for funding future maintenance and transportation needs. However, much work is still needed to better understand how best to implement this type of system, address concerns about impacts to family budgets, and low-income and rural equity.

During SACOG-led focus groups undertaken as part of the outreach and engagement efforts for the 2025 Blueprint, participants expressed concerns about the equity of user fees, particularly for rural communities that must travel longer distances to access shopping and services. SACOG’s Blueprint survey also showed much regional apprehension over how such a fee would impact lower income households, how travel would be tracked, and how this would affect privacy. While the region’s current plan calls for the state to migrate to this type of system in roughly the next decade, doing so will require leadership and significant outreach to understand and address remaining questions and concerns.

How will the board set budget priorities?

Many agencies share responsibility for determining how transportation money is spent and most transportation funding comes with restrictions on eligible uses. In fact, about three-quarters of all the funding forecasted in the plan is committed to specific purposes or projects such as transit capital and operations, road or highway capital improvements, or system maintenance and operations. These limitations may be the result of federal or state policy, developer agreements, or voter approved initiatives. SACOG has discretion over small portion, roughly five to six percent, of the total budget that comes from a combination of federal and state sources. These discretionary funds are an important part of how the region can further the policy objectives of the 2025 Blueprint. However, because the funding available to SACOG represents a small share of the total plan budget, implementing the plan will take the collective efforts of many agencies and will require a lot of coordination with local jurisdictions and funding partners such as PCTPA, EDCTC, Caltrans, and the Sacramento Transportation Authority.

Per the process steps described above, between now and the board’s November action on a final transportation investment strategy for the 2025 Blueprint by this November, staff will present additional information about transportation assumptions in the Blueprint Discussion Scenario for review and direction from the board. The board’s direction during this process will guide the development of spending priorities for the plan. To support the board’s decision-making process, staff is looking for direction this month from the committee about what major topics or issues related to transportation funding are of the greatest interest to

members, including what questions or concerns the board may have about new revenue sources that could be considered for the plan.

Fiscal Impact/Grant Information:

The 2025 Blueprint is funded by a combination of sources including Federal Metropolitan Planning funds, state Sustainable Communities Formula Program Funds, and Transportation Development Act-Local Transportation Funds. The Placer County Transportation Planning Agency and El Dorado County Transportation Commission also provide some funding to SACOG to support development of the 2025 Blueprint to assist with the planning activities, data development, and analysis that is necessary to ensure coordination and consistency between the regional plan and the county-level Regional Transportation Plans.