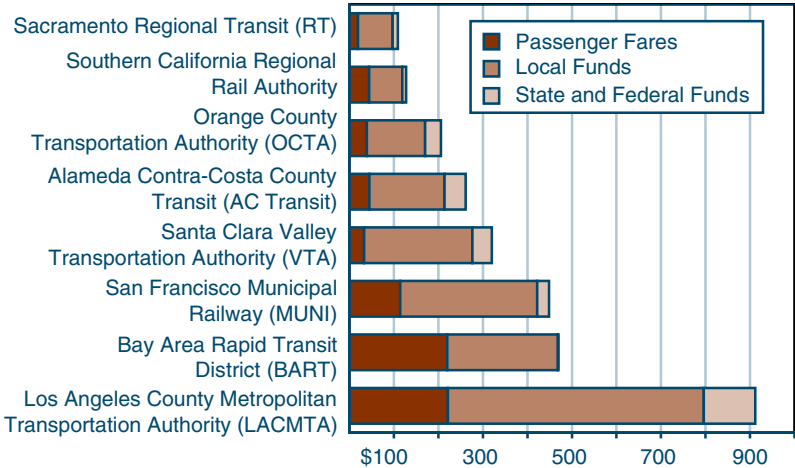


Fares and Local Funds Comprise the Bulk of Transit Revenues

2003-04 (In Millions)



- Transit services are funded by a combination of passenger fares and local, state, and federal funds.
- For the state’s largest transit operators, local funds (such as local sales tax and property taxes) tend to provide the largest source of revenues. For 2003-04, VTA reported the highest proportion of total revenues met through local funds (76 percent). At the low end, BART reported that local funds constitute 53 percent of total revenues.
- Passenger fares also provide an important source of revenues for operators. For instance, passenger fares made up 47 percent of BART’s revenues in 2003-04. However, passenger fares represented a much smaller proportion (10 percent) of total revenues for VTA.
- The proportion of total revenues from state and federal funds varied among transit operators. These revenues are estimated to range from 0.2 percent of BART’s total revenues to 18 percent of revenues for AC Transit.

Federal Transportation Act and Its Impact on California

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)

Major Provisions

General:

- Maintains overall structure of previous transportation act (TEA-21), but increases emphasis on safety.
- Continues TEA-21's flexibility allowing up to 50 percent of most program formula funds to be redirected.

Funding Nationwide:

- Provides 42 percent increase in average annual funding over TEA-21. Authorization of \$241 billion for fiscal years 2005 through 2009 includes \$190 billion for highways, \$45 billion for transit, and \$5.7 billion for safety enhancements.
- Earmarks over \$26 billion worth of congressionally specified projects, including \$14.8 billion for High Priority Projects and \$1.8 billion for Projects of National and Regional Significance.

Highways:

- Guarantees "donor states" a minimum of 90.5 percent return on state fuel tax contributions in 2005 and 2006, 91.5 percent in 2007, and 92 percent in 2008 and 2009.
- Provides incentives for private sector participation in construction of major transportation facilities.
- Pilots include: federal delegation of environmental review responsibilities to states and toll programs on interstate highways.

Transit:

- Most discretionary funds remain available for competitive project applications.
- Provides capital funding for smaller transit projects requiring less than \$75 million in federal funds.

Federal Transportation Act Provides Funding Through 2009

Authorized Funding for California			
<i>(In Billions)</i>			
	Formula	Earmarks	Totals
Highway	\$15.4	\$2.4	\$17.8
Transit	3.9	1.3	5.2
Safety	0.4	—	0.4
Totals	\$19.7	\$3.7	\$23.4

- **Source of Federal Funds.** The federal government levies a fuel excise tax—18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel. These revenues are deposited in the federal Highway Trust Fund—the primary account for federal transportation spending. Annually, California receives a share of these funds via the federal transportation program (SAFETEA-LU), which authorizes \$241 billion to be invested in highways, transit, and transportation safety projects nationwide from 2005 through 2009.
- **Funding to State.** The federal act authorizes \$23.4 billion for California through 2009, including about \$18 billion for highways, \$5 billion for transit, and \$452 million for safety improvements. Roughly 15 percent of this funding (\$3.7 billion) is earmarked for specific projects. For 2005-06, federal funds provided about \$4.6 billion for California’s transportation system.

The Transportation System: How Decisions Are Made



**The Key Players:
Who Decides What Gets Built and When?**

State

Legislature

- Sets overall transportation policies, including establishing revenue sources and expenditure priorities.
- Appropriates lump sum for capital improvements through annual budget and provides oversight on implementation of the state transportation program.
- In general, delegates the authority to select specific projects to Caltrans, regional and local agencies, as well as CTC.
- Occasionally designates transportation projects statutorily. In 2000, selected 141 projects to be funded through the Traffic Congestion Relief Program.

Department of Transportation (Caltrans):

- Implements the state transportation program in general through 12 districts and headquarters in Sacramento.
- Owns, operates, maintains, and repairs the state highway system.
- Plans and designs capital improvement projects on the state highway system.
- Selects projects for the interregional portion of the five-year State Transportation Improvement Program (STIP).
- In 2006-07, 22,352 authorized positions in department.

California Transportation Commission (CTC)

- Consists of nine members appointed by the Governor.
- Recommends policy and funding priorities to the Legislature.
- Adopts estimates (prepared by Caltrans) of available transportation funds for capital projects.
- Reviews and adopts STIP and State Highway Operation and Protection Program to ensure compliance with statutory guidelines.
- Allocates state and federal funds to projects nominated by Caltrans and regional agencies.
- Provides oversight on Caltrans and local project delivery.

(Continued)

Regional

**Regional
Transportation
Planning Agency
(RTPA)**

- Currently, there are 48 RTPAs statewide.
- Formed by specific legislation. These RTPAs are usually in the form of council (or association) of governments, and local transportation commissions.
- Administers state funds and allocates federal and local funds to projects.
- Selects projects for the regional portion of the STIP.

**Metropolitan
Planning
Organization
(MPO)**

- Currently, there are 17 MPOs in California.
- Federally required planning bodies; typically the same as an urban region's RTPA.
- Prepares the 20-year Regional Transportation Plan and selects projects.
- The Governor designates an MPO in every urbanized area with a population over 50,000.

Other

Other Players

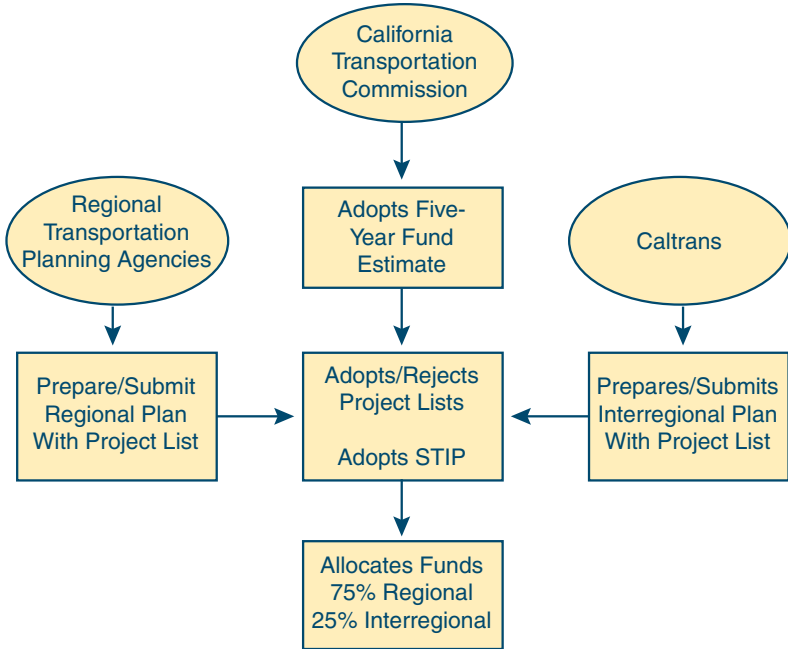
- County transportation authorities develop expenditure plans for voter-approved local option sales tax measures and administer funds.
- Federal transportation agencies—such as the Federal Highway Administration and the Federal Transit Administration—oversee the use of federal transportation funds.
- Environmental agencies at the local, state, and federal level review transportation projects and issue permits to ensure transportation improvements comply with environmental laws.
- Cities and counties set land-use policy and nominate transportation projects for funding by the RTPA.
- Transit agencies—such as the Bay Area Rapid Transit and Los Angeles County Metropolitan Transportation Authority—nominate projects for funding and deliver transportation services and improvements.

Four Major Programs Guide State Capital Spending

Currently, there are four major programs which guide state capital spending for transportation in California:

- *The State Transportation Improvement Program (STIP)* funds new construction projects that add capacity to the transportation system. These projects include capital improvements to highways, streets and roads, and transit systems. Funding comes from a mix of the state gas tax and sales tax on motor fuels, as well as federal funds. This program is ongoing.
- *The State Highway Operations and Protection Program (SHOPP)* funds capital projects to improve existing highways. Projects include pavement rehabilitation (reconstruction), as well as projects to enhance highway safety and operations. Funding comes from state gas tax, truck weight fees, and federal funds. This program is ongoing.
- *The Traffic Congestion Relief Program (TCRP)* funds 141 capital projects specified in the Traffic Congestion Relief Act of 2000 (AB 2928, Torlakson). The TCRP includes mainly highway and transit projects located in urban areas. Funding comes primarily from gasoline sales tax revenues provided each year through 2007-08. However, TCRP will likely receive revenues into the next decade from repayment of loans it made to the General Fund in past years.
- *Proposition 1B Bond Program* funds projects to relieve congestion, facilitate goods movement, improve air quality, and enhance the safety and security of the transportation system. Specific projects have yet to be selected, but will include projects that add capacity to highways and transit systems, improve major trade infrastructure (including highways with high truck volumes, ports, and freight rail lines), as well as enhance the safety of existing transportation infrastructure. These projects are to be funded by almost \$20 billion in general obligation bonds sold by the state.

Availability of Funds Determines What Gets Built and When in the STIP



How Are State Transportation Dollars Estimated?

- **Fund Estimate.** Caltrans estimates biennially all federal and state transportation funds that would be available over a five-year period. These funds include mainly revenues from state and federal excise tax on motor fuels, sales tax on motor fuels, and truck weight fees.
 - The estimate projects the amounts to be committed to various purposes over the period. Priority is given to highway maintenance and operations, local assistance, and SHOPP projects. Any remaining funds would be available for STIP projects.

California Travels

- The fund estimate, when adopted by CTC, provides the basis for determining how many STIP projects can be funded over the five-year period.

How Are STIP Funds Distributed?

- 75 percent of STIP funds are designated for the Regional Transportation Improvement Program (RTIP) to fund projects chosen by the RTPAs.
- 25 percent of funds are designated for the Interregional Transportation Improvement Program (ITIP) to fund projects chosen by Caltrans.
- Projects may also be jointly funded by ITIP and RTIP.

How Are Regional Funds Programmed?

- Funds for the RTIP are geographically divided by the “north-south split.” Specifically, the north-south split allocates 60 percent of funds to the 13 southern counties and allocates the remainder to the 45 northern counties.
- These funds are further divided into county shares based on a statutory formula allocating 75 percent of funds based on population, and 25 percent based on highway lane-miles.

How Are Projects Chosen in the Regional Program?

- Projects are selected for funding by RTPAs based on regional priorities, as defined in 20-year regional transportation plans. Projects are selected from a large pool of projects proposed by cities, counties, and transit agencies. The RTPAs then submit their respective lists to CTC for approval.
- The CTC can either adopt or reject an individual RTIP in its entirety, but cannot delete or add specific projects. Together, the 48 regional proposals form the statewide RTIP.

How Are the Interregional Funds Distributed?

- Of the ITIP funds, 40 percent may be spent in either urban or nonurban areas subject to the north-south split. The remaining 60 percent must be spent on improvements outside of urban areas.
- About 10 percent of ITIP funds must be programmed for intercity rail projects, while the remainder may be programmed for highway improvement projects.