

Appendix L

Revenue Source Description

APPENDIX L
Revenue Source Descriptions

(see Figure 24 for information on which agencies program specific revenue sources)

FEDERAL REVENUE SOURCES

With the passage of the Intermodal Surface Transportation Efficiency Act in 1991 and its successor in 1998, the Transportation Equity Act for the 21st Century (TEA-21), nationwide transportation funding stabilized. However, all federal funding is still subject to the annual budget process and congressional appropriations.

Federal Aviation Administration

Airport Improvement Program (AIP)

The Airport Improvement Program provides funds for eligible airport improvements and aviation planning. It is administered by the Federal Aviation Administration (FAA), a division of the U.S. Department of Transportation. There are four components to this fund source. They are: 1) entitlements to air carrier and general aviation airports; 2) discretionary for capital/planning projects; 3) discretionary noise abatement; and 4) state apportionment for capital/planning projects at general aviation airports. AIP can be used for planning, construction or rehabilitation at any public-use airport. AIP cannot be used for construction of hangars, automobile parking facilities, buildings not related to the safety of persons in the airport, landscaping or artwork, or routine maintenance and repair.

Federal Transit Administration

Under the Urban Mass Transportation Act of 1964, as amended, funding was made available for transit planning, operating and capital programs. The Federal Transit Administration (FTA), a branch of the U.S. Department of Transportation, administers these funds. However, most funds are passed through to each state's Department of Transportation, Caltrans in California, to allocate and administer.

The following programs, funded under FTA, can be considered as potential revenue sources for transportation in the Monterey Bay metropolitan region, particularly for capital, operating planning and training assistance.

Section 3037

The Jobs Access Reverse Commute (JARC) is a discretionary grant program to develop transportation services designed to transport welfare recipients and low-income individuals to and from jobs and to develop transportation services for residents of urban

centers and rural and suburban areas to suburban employment opportunities. JARC grants require a 50% funding match from a non U.S. Department of Transportation funds.

Section 5303

The Section 5303 Technical Planning Assistance Program for urbanized area provides financial assistance to State and local governments to aid in meeting national planning objectives which are updated annual. In California, the funds are distributed to Metropolitan Planning Organizations (MPOs), through Caltrans, on a population formula basis. The FTA Section 5303 program has a local match of 11.47%.

AMBAG receives Section 5303 funds for Santa Cruz County to conduct transit planning and ensuring the inclusion of each operator in short and long-range plans and programs. Typically, AMBAG makes a portion of the funds annually available to the mass public transit operators to conduct transit planning to meet their special needs/interest in support of the metropolitan transportation planning process.

Section 5307

Section 5307 is the original federal transit assistance program for transit operators in urbanized area with a population of 50,000 or more. FTA Section 5307 block grants are apportioned annually to urbanized areas through a complex formula weighted by 2000 population, population density and revenue vehicle miles or rail miles, if applicable. For urbanized areas with populations less than 200,000, funding may be used for either capital or operating costs at local options and without limitation. Local match requirements vary depending on the use of 5307 funds. Operations require a 50% federal, 50% local match; and capital acquisitions and associated capital maintenance items are allowed at an 80% federal, 20% local match rate. If they choose, operators can use Section 5307 funds for planning purposes.

Section 5309

Section 5309 represents three major discretionary capital investment grants: new starts, fixed guideway modernization, and buses. New Starts refers to new rail service. For a rail project to be eligible for new starts funds, it must be included in the Secretary of Transportation's annual report. In the report, projects are evaluated and rated and given a recommendation. The fixed guideway modernization program provides funds to upgrade rail systems several or more years old. Section 5309 bus provides funds for new buses and bus facilities.

Section 5310

FTA Section 5310 provides capital grants for the purpose of assisting private nonprofit corporations and, under certain circumstances, public agencies in providing transportation services to meet the needs of elderly persons and persons with disabilities

for whom public mass transportation services are otherwise unavailable, insufficient, or inappropriate.

Section 5311

Section 5211 financial assistance for nonurbanized areas provides federal funds to public transit operators servicing nonurbanized areas (i.e., areas not included in a designated urbanized area of population of 50,000) for capital and operating assistance projects.

Section 5313(b)

The State Planning and Research Grant Program distributes FTA Section 5313(b) funds for activities such as: research, planning, development and demonstration projects in all phases of mass transportation; managerial, technical, and professional training fellowships in the public transportation field; university research and training in urban transportation problems; and human resource needs to increase minority and women employees and business opportunities in the public transportation field.

Federal Highway Administration

Regional Surface Transportation Program

The Regional Surface Transportation Program (RSTP) represents the most flexible federal fund source available for local uses. Funds can be used for projects on any Federal-aid highway (ranging from national highways to city arterials), rural minor collectors, bridge projects on any public road, transit capital projects, and public bus terminals and facilities. TEA-21 expanded Regional Surface Transportation Program eligible projects to include environmental provisions, modification of sidewalks to meet Americans with Disabilities Act requirements, and infrastructure-based intelligent transportation systems capital improvements.

Congestion Mitigation and Air Quality Improvement Program

The Congestion Mitigation and Air Quality (CMAQ) Improvement Program provides flexible funding for transportation projects and programs to assist in meeting the National Ambient Air Quality Standards established under the Federal Clean Air Act Amendments of 1990. Examples of eligible activities include transit improvements, travel demand management strategies, traffic flow improvements, and bicycle/pedestrian improvement projects.

New federal 8-hour ozone standards result in the Monterey Bay Region being reclassified as an attainment area. Current regulations allocated CMAQ funds to only ozone non-attainment and maintenance areas. After redesignation, CMAQ funds may no longer be available to the region. Due to the preliminary nature of this issue, CMAQ funds continue to be forecasted as available to the region by AMBAG; however, in recognition of the funding uncertainty monies were not allocated to specific projects on the project list.

****Transportation Enhancement Activities***

Federal Transportation Enhancement Activities funds are to be used for transportation-related capital improvement projects that enhance quality-of-life in, or around, transportation facilities. Projects must be over and above required mitigation and normal transportation projects, and the project must be directly related to the transportation system.

Recreational Trails Program

The Recreational Trails Program provides funds for the creation and maintenance of recreational trails. On a state-wide basis, 30 percent of the funds must be applied to motorized uses, 30 percent for nonmotorized uses, and 40 percent for diverse (i.e. combination) trail uses. Recreational Trails Program funds are distributed by the California Parks Department.

National Scenic Byways Program

TEA-21 authorizes funds for technical assistance and grants for the purposes of developing scenic byways programs and undertaking related projects along roads designated as National Scenic Byways, All-American Roads, or as State Scenic Byways.

Transportation and Community and System Preservation Pilot Program

The Transportation and Community and System Preservation (TCSP) Pilot program provides funds for research and grants to investigate the relationships between transportation and community and system preservation and private sector-based initiatives. Discretionary grants are available to: plan and implement strategies that improve the efficiency of the transportation system; reduce environmental impacts of transportation; reduce the need for costly future public infrastructure investments; ensure efficient access to jobs, services, and center of trade; and examine private sector development patterns and investments that support efficient use of the transportation infrastructure. Available funds are typically earmarked through the annual federal budget Transportation Appropriations process.

Highway Bridge Replacement & Rehabilitation

The purpose of the Highway Bridge Replacement and Rehabilitation Program (HBRR) program is to replace or rehabilitate public bridges over waterways, other topographical barriers, other highways, or railroads when the State and the Federal Highway Administration determine that a bridge is significantly important and is unsafe because of structural deficiencies, physical deterioration, or functional obsolescence. Reimbursable scopes of work include replacement, rehabilitation, painting, scour countermeasure, bridge approach barrier and railing replacement, low water crossing replacement, and

ferry service replacement. The federal reimbursement rate is 80% (88.53% for bridge railing replacement) of the eligible participating project costs.

Hazard Elimination Safety Program and Safe Routes to School

The Hazard Elimination Safety Program (HES) is a federal safety program that provides funds for safety improvements on all public roads and highways. These funds serve to eliminate or reduce the number and/or severity of traffic accidents at locations selected for improvement. A portion of the HES funds received by the State are targeted for construction of bicycle and pedestrian safety and traffic calming projects through the Safe Routes to School Program (SR2S). SR2S funds have been included in the funding forecast for the Monterey Bay region, not been assumed to be available for projects in Monterey County.

STATE REVENUE SOURCES

State revenues for transportation come from four basic sources: federal aid programs, the State Highway Users Tax Account (which includes federal aid money), the State Highway Account and bond funds, as appropriate. The revenues in the State Highway Users Tax Account are collected from fuel taxes and motor vehicle fees, such as regulation and weight fees. These funds support non-federally funded costs and provide state matching monies for federal aid. The funds are apportioned to counties and cities in the form of gas tax revenues and any unobligated balance is transferred to the State Highway Account.

The State Highway Account receives all federal aid funds in addition to the spill over of the State Highway Users Tax Account. Expenditures of State Highway Account monies are directed to the following four categories:

- * Allocations to counties and cities to be spent by each for street and highway projects.
- * Expenditures for maintenance and administration on the state highway system.
- * Capital outlays for construction, reconstruction and right-of-way costs on state highways and other streets and roads.
- * State Transit Assistance (STA) funds for operating and capital assistance for local transit.

Transportation bond funds are derived from the passage of propositions by the residents of California.

STIP Programming

The State Transportation Improvement Program (STIP) was significantly changed with the enactment of Senate Bill 45 in 1997. Senate Bill 45 simplify the transportation programming process by combining seven previous funding categories (Flexible Congestion Relief, Transit Capital Improvement Program, Commuter and Urban Rail Transit Program, Mass Transit Guideway Program, Traffic Systems Management

Program, Intercity Rail Corridors Program, and the State-Local Transportation Program) into one pot of funds which is then divided into two categories. Prior to its division, however, Caltrans support, planning and maintenance and rehabilitation needs are taken from the total. The remaining funding is then divided into the two categories: Regional Improvement Program (RIP) and Interregional Transportation Improvement Program (ITIP). Of funds available for programming in the State Transportation Improvement Program, 75 percent is allocated to regional transportation planning agencies for the selection of projects of regional significance in the RIP. The remaining 25 percent of STIP funds are programmed to projects selected by Caltrans in the ITIP. Additional constraints are placed on the ITIP with requirements that 51 percent of the funds go to rural areas, 9 percent for intercity rail, and 40 percent for projects that facilitate interregional movement of people and goods.

State Highways Operation and Protection Program

The State Highways Operation and Protection Program (SHOPP) includes state highway rehabilitation, traffic safety, seismic safety, and traffic operational improvements. The SHOPP, a four-year program, is adopted separately from the State Transportation Improvement Program. The Rehabilitation and Safety and Other Highway Construction elements previously included under the STIP, are incorporated under the SHOPP. New projects for the SHOPP are given priority and programmed according to rehabilitation, safety and operational needs. No new project is programmed unless Caltrans has a completed project study report (PSR) or equivalent document identifying a specific project scope and estimated cost.

State Transit Assistance

The State Transit Assistance (STA) program was enacted in 1980 to provide a source of funding for transit. When the state sales tax was extended to gasoline sales in 1971, it was assumed that the gasoline sales tax return and the return of funds (Local Transportation Funds - LTF) to local jurisdictions would remain the same. However, when gas prices rose dramatically in the mid 1970's, the amount of monies accrued from the sales tax on gasoline increased faster than LTF. The Legislature subsequently passed the STA program to provide spill over gas sales tax funds to transit.

In the past, transit agencies in the Monterey Bay metropolitan region have received substantial funding from this source. When gas prices declined in the mid-1980's, the income from this source declined. When California's "Transportation Blueprint" was approved by voters in 1990, the gas tax was scheduled for a nine cent increase over five years. The additional state sales tax generated from the higher fuel tax was directed to the Transportation Planning and Development (TP&D) Account. Caltrans takes funding "off the top" with the remainder split evenly between STA and the Transit Capital Improvement Program to fund transit capital projects.

Proposition 116 Rail

As part of the state transportation financing package approved by voters in 1990, Proposition 116 provides capital funding for rail projects in each county. The proposition included 17 million dollars to Monterey County, which were designated for the extension of the Caltrain commuter train into Monterey County or any other rail project. Approximately \$9.3 million in Proposition 116 funds were used in the acquisition of the Monterey Branch line from Union Pacific in 2004, and the remaining Prop.116 funds are expected to be used for rail capital upgrades/ and rehabilitation. Rail funding is described in additional detail in Chapter 2, Section 2.5 of the plan.

Bicycle Transportation Account

The California Bikeways Act - Bicycle Transportation Account (BTA) currently provides \$5,000,000 funding annually on a discretionary basis for commuter-oriented bicycle projects. The BTA funds are to improve the safety and convenience of commuter oriented bicycling. Priority projects serve bicycle commuters, have activity centers at each end point are consistent with the bicycle plan/program, and close missing links. Cities and counties with approved bicycle transportation plans are eligible recipients. Individual projects cannot receive more than 25 percent of statewide funds available.

California Aid to Airports Program

The California Aid to Airports Program (CAAP) provides funds to general aviation airports in the state. It is funded through the Aeronautics Account of Caltrans' budget. Revenues for the account are accrued through excise taxes on aviation, gas and jet fuel sales. After funding the Caltrans Division of Aeronautics operation, funds are available for assistance to local airports. General aviation airports in the Monterey Bay metropolitan region receive a standard \$10,000 each per year. If money is still available, the remainder of the Aeronautics Account is discretionarily awarded to the state's general aviation airports.

Proposition 42

Proposition 42 funds have been included in the Monterey Bay regional revenue forecast prepared by AMBAG for application in the Regional Transportation Plans prepared for Santa Cruz, San Benito, and Monterey Counties. Proposition 42 was approved by California voters in 2002 to dedicate state gas tax revenues for transportation purposes. Given the state's ongoing budget crisis since passage of Proposition 42, the state has redirected these funds to fill state general fund shortfalls. It is uncertain whether or not Proposition 42 funds will be restored to fund transportation projects in the State Transportation Improvement Program, and as such, have not been assumed as available to fund transportation projects in Monterey County.

LOCAL REVENUE SOURCES

Local transportation revenues can be, and are, from a multitude of sources. In the Monterey Bay metropolitan region, jurisdictions might use the following (not intended to

be all inclusive) locally-generated fund sources to aid in the building, maintenance and operation of their transportation infrastructure: 1) state fuel tax subventions, 2) Transportation Development Act (TDA) Local Transportation Funds (LTF), 3) transit passenger fares, 4) general funds, 5) other jurisdictional local funds, 6) transportation sales tax measures, if applicable, and 7) funds from special fees assessed to collect money for specific uses, e.g. developer fees or assessment area fees.

Fuel Tax Subventions

The gas tax funds that are apportioned from the state to cities and counties are to be used exclusively for local roadway projects. Gas tax revenues are dependent upon the amount of gasoline consumed since the tax is assessed on a per gallon basis rather than on the cost of gasoline. As discussed above under the STIP section, any unobligated balance in these funds is transferred to the State Highway Account.

Local Transportation Funds

The Transportation Development Act (TDA) of 1971 extended sales tax to gasoline purchases and earmarked 1/4 of one cent of all sales tax proceeds for public transit improvements in the county where the revenue was generated. Jurisdictions may use these Local Transportation Fund (LTF) amounts for street and road purposes if a finding is made by the jurisdiction involved that there are "no unmet transit needs that are reasonable to meet". The reasonableness criteria is defined by each Regional Transportation Planning Agency administering the funds.

Each Regional Transportation Planning Agency can take costs "off the top" for administering the LTF program and for transportation planning within the respective county. Subsequently, up to an additional 2% of the remainder can be set aside for funding bicycle and pedestrian projects within each respective county. The remaining funds are then available to the transit operator(s) or, in some instances, to local jurisdictions for street and road purposes.

Transit Passenger Fares

All the public transit operators in the Monterey Bay metropolitan region charge a user fee (fare) for persons to ride their service. Although the intent is for the users of the service to contribute a small portion of the cost to operate the system, it is also to ensure that each operator can meet a preestablished farebox recovery ratio standards for the continued receipt of Transportation Development Act LTF funds.

Farebox recovery ratio means the amount collected from passenger fares divided by the cost of providing the service. In the Monterey Bay metropolitan region, this amount ranges from 10% (the minimum without otherwise stipulating a waiver – usually the general public transit and paratransit programs have low farebox recovery ratios) to up to 40 - 50% (the Highway 17 Express Service operated between Santa Cruz and Santa Clara counties by the Santa Cruz Metropolitan Transit District).

Local Transportation Sales Tax

Passing a local transportation sales tax is another way to generate local transportation monies. Many counties have taken the initiative to supplement available state and federal funds by enacting local voter-approved funding mechanisms — such as half-cent sales taxes — to pay for transportation improvements. Regions with local sales tax also have more flexibility during tough financial times. Also, state and federal agencies reward regions that can provide a local match for transportation funds. With cutbacks and prolonged uncertainty at the state level, local governments increasingly are relying on dedicated local sales taxes to fund projects to meet the demands of a growing population.

General Fund

A jurisdiction's general fund is another source for local transportation revenues. In the past, the majority of cities and counties have provided monies from the jurisdictions' general fund to transportation improvements. As the decision to use these funds for transportation projects rests at the policy level, revenue has not been forecast from this potential source.

Other Jurisdictional Local

As reported in annual volumes of the *Financial Transactions Concerning Streets and Roads of Cities and Counties of California* prepared by the California State Controller's Office, there are several fund sources which jurisdictions receive. These include:

- * revenues derived from the use of gas tax monies
- * proceeds from bond sales for street purposes
- * street assessment levies
- * traffic safety funds used for street purposes
- * revenues from local government agencies