

Appendix D:

Current Transportation Funding Level-of-Effort

Task 3: Identify the Current Level of Effort (LOE) for Transportation Funding

Prepared for the Tahoe Transportation District

Under contract with Morse Associates Consulting, LLC

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1. Purpose

The purpose of the TTD Revenue Action Plan project is to determine the most appropriate and effective transportation funding strategy (or strategies) necessary to implement the Transportation Vision for the Lake Tahoe Basin. The Task 2 memo identified the funding shortfall in the current Tahoe Regional Transportation Plan (RTP). This memo identifies the current funding level of effort (LOE) by each level of government, and where available, by individual entity in the Tahoe RTP. In order to prevent an increase in the funding shortfalls already identified, it is imperative that existing funding sources continue to be provided at current levels, which will require adjustments for inflation on a periodic basis. Ideally these adjustments should occur annually to avoid short-term shortfalls, as well as the negative impact of large tax or fee increases which occur when annual increases are deferred.

The growth projections for the Tahoe Basin show small increases in population and development over the next 20 years. However, the projected 27% increase in population in the Northern California/Northern Nevada megalopolis between 2017-2035 is likely to substantially increase trips to Tahoe Basin (RTP sec. 1, p1) and will impact the transportation system, even if the resident population increase is small.

This memo will also review the issue of Resident versus Non-Resident payment for Tahoe transportation needs that was discussed in the Task 2 memo and recommend a process to ensure an equitable LOE for these two groups going forward.

2. Funding By Level of Government in Tahoe RTP

Table 1 shows funding by level of government (local, state and federal) for the period 2017-2040 in 2017\$. The funding subcategories from the Tahoe RTP are further disaggregated to show funding expected for each mode. As noted in Task 2, the largest shortfall will be in Transit operations at nearly \$1 billion, with a possible shortfall of up to \$320 million in Transit projects and services just in the Constrained RTP scenario.

Table 1: Tahoe RTP Revenues Estimated By Mode/Use for 2017-2040 With Reduction in State and Federal Discretionary Funding (\$106 million)

2017\$

Source	Bus	Street/Bike/Ped	Water Quality	Ferry	Total
LOCAL SOURCES					
Farebox Revenues	\$4,459,085				\$4,459,085
TRPA Rental Car Mitigation Fund	\$2,925,507				\$2,925,507
TRPA Air Quality Mitigation Fund		\$9,769,944			\$9,769,944
TRPA Water Quality Mitigation Fund			\$11,641,513		\$11,641,513
Local Funds (on-going)	\$69,000,000	\$96,044,160			\$165,044,160
Local Funds (project specific)		\$13,253,350			\$13,253,350
Private Funds	\$1,150,000	\$35,450,000			\$36,600,000
Ferry Partnership				\$128,800,000	\$128,800,000
O&M (bike trail, ped facilities, roadway, stormwater)		\$280,757,176	\$32,000,000		\$312,757,176
Environmental Stormwater Capital			\$112,241,793		\$112,241,793
Total Local	\$77,534,592	\$435,274,630	\$155,883,306	\$128,800,000	\$797,492,527
STATE SOURCES					
State Transit Assistance and Local Transportation Fund	\$97,848,060				\$97,848,060
Regional Improvement Program (STIP)		\$57,572,847			\$57,572,847
Low Carbon Transit Operations	\$4,284,000				\$4,284,000
Affordable Housing Sustainable Communities Note: reduced \$6 million per adjust		\$19,140,000			\$19,140,000
California Proposition 1B		\$75,431			\$75,431
California Tahoe Conservancy		\$14,155,400			\$14,155,400
Active Transportation Program (CA) Note: reduced \$6 million per adjust		\$28,714,800			\$28,714,800
Emergency Road Repair		\$2,448,000			\$2,448,000
California SHOPP Note: reduced \$29 million per adjust		\$87,226,000			\$87,226,000
Nevada Question 1		\$2,700,000			\$2,700,000
Nevada State Funds Note: reduced \$9 million per adjust		\$28,623,000			\$28,623,000
Total State	\$102,132,060	\$240,655,478	\$0	\$0	\$342,787,538
FEDERAL SOURCES					
Surface Transportation Block Grant		\$72,557,544			\$72,557,544
Surface Transportation Block Grant Set-Aside (TAP)		\$3,922,332			\$3,922,332
Federal Lands Transportation Program Note: reduced \$1million per adjusts		\$3,896,000			\$3,896,000
Federal Lands Access Program Note: reduced \$41million per adjusts		\$97,568,000			\$97,568,000
Congestion Mitigation & Air Quality Program	\$20,000,000	\$25,266,256			\$45,266,256
National Highway Performance Program		\$18,000,000			\$18,000,000
Highway Safety Improvement Program Note reduced \$8 million per adjusts		\$24,870,859			\$24,870,859
FHWA Ferry Program Note reduced by \$6 million per adjusts				\$19,500,000	\$19,500,000
FTA 5307 Urbanized Area Formula Program	\$105,264,000				\$105,264,000
FTA 5310 Enhancement Mobility of Seniors and individuals with Disabilities	\$2,007,360				\$2,007,360
FTA 5311 Rural Area Formula Grants (NV)	\$30,082,000				\$30,082,000
FTA 5339 Bus and Bus Facilities	\$6,120,000				\$6,120,000
Federal Aviation Administration Airport Improvement Program	\$7,293,150				\$7,293,150
High Priority Projects Program		\$1,655,000			\$1,655,000
Total Federal	\$170,766,510	\$247,735,992	\$0	\$19,500,000	\$438,002,502
Total Local/State/Federal	\$350,433,161	\$923,666,099	\$155,883,306	\$148,300,000	\$1,578,282,567

It will be critical for all of the existing funding sources to be adjusted for inflation, particularly those sources expected to fund Transit operating costs. A recent example of the impact of inflation on transit operations costs occurred in 2018, when the TTD was forced to increase the transit operator salary range 20% in order to recruit, and hopefully retain needed staff. The high cost of living in the Tahoe Basin, coupled with a shortage of available labor required this large salary increase. Existing funding sources must be increased for inflation to avoid larger future shortfalls and/or failure to deliver planned projects and services.

With the help of the TRPA staff, we were able to provide additional detail regarding the funding assumptions by government entity for “Local Funds (on-going)” and “Local O & M (road, bike trail, ped facilities and stormwater)”, the two largest components of Local funding. The Tahoe RTP technical appendices included additional breakout of funding by entity. Table 2 shows the detail by entity for “Local Funds (on-going)”.

Table 2: Tahoe RTP “Local Funds (on-going)” 2017-2040 Funding Detail (2017\$)

2017-2040 REVENUE in 2017\$			Total
LOCAL ON-GOING DETAIL	Transit	Street/Bike/Ped	
North Lake Tahoe Transient Occup Tax: \$1,300,000/yr	\$31,200,000		\$31,200,000
Douglas Co Transient Occup Tax: \$500,000/yr	\$12,000,000		\$12,000,000
Placer County Local Contribution: \$1,075,000/yr	\$25,800,000		\$25,800,000
Other Local Public Works Expenditures		\$96,044,160	\$96,044,160
Total	\$69,000,000	\$96,044,160	\$165,044,160

Note that Placer County, and Douglas County and North Lake Tahoe Transient Occupancy Tax (TOT) are the major local government contributors to public transportation.

The funding details by entity for “Local O & M” are shown in Table 3. This category included both NDOT and CalTrans funding, but these state funds were kept in the “Local” category to maintain consistency with the Tahoe RTP overall financial analysis.

Table 3: Tahoe RTP Local O&M 2017-2040 Funding Detail (2017\$)

2017-2040 Revenues in 2017\$									
Local O & M Funding Category Detail	City of SLT	Douglas Co	Washoe Co	El Dorado Co	Placer Co	Tahoe City PUD	CalTrans	NDOT	Totals
Bike and Pedestrian Facilities Operation	\$648,000	\$540,000	\$516,000	\$7,800,000	\$4,800,000	\$7,466,352			\$21,770,352
Stormwater Treatment Facilities Operations and Maintenance	\$960,000	\$12,000,000	\$4,800,000	\$655,200	\$1,920,000			\$12,000,000	\$32,335,200
Streets and Roads Operations and Maintenance	\$59,616,000	\$1,440,000	\$4,668,000	\$17,472,000	\$13,920,000		\$124,335,624	\$31,200,000	\$252,651,624
ITS Operations and Maintenance – NDOT, Caltrans							\$2,400,000	\$3,600,000	\$6,000,000
Total	\$61,224,000	\$13,980,000	\$9,984,000	\$25,927,200	\$20,640,000	\$7,466,352	\$126,735,624	\$46,800,000	\$312,757,176

3. Challenges to Maintaining Current Funding LOE

A. Revenues With Limited Inflation Adjustment

1. Fuel Taxes

Historically, transportation funding for streets and highways has relied heavily on the fuel tax, typically applied as a cents per gallon tax on fuel. The fuel tax suffers from several problems:

- It does not adjust for inflation.
- Revenue per mile of travel is reduced as the fleet fuel economy increases.
- Electric vehicles do not pay the tax. The electric vehicle issue is a minor one now, but as the number of electric vehicles increases, it will become a larger negative impact on transportation funding from fuel taxes.

The federal gas tax of 18.4 cents per gallon, which has not been increased since 1973, provides a good example of the negative impact of inflation and improved fleet economy. The combined impacts of inflation and increasing fuel economy reduced

the real dollar amount collected per mile of travel between 1993 and 2019 by an estimated 70%.

California recently approved SB 1 which increased the state fuel tax in 2017 for the first time in twenty years and also imposed inflationary adjustments to the fuel tax beginning in 2020. Nevada does not have inflationary adjustments to the state fuel tax, although it has granted Clark and Washoe County the right to impose indexing based upon federal, state and local fuel taxes which these counties have implemented.

All other Counties in Nevada have the authority to enact fuel tax indexing, but the indexing is limited to county option fuel taxes.

2. Local Property Tax

At the local government level, the property tax is a significant revenue source for the general fund, which in turn, is a significant revenue source for public works programs and projects. As noted in Table 2, there is nearly \$5 million per year in local government public works expenditures projected in the Tahoe RTP. As property valuation has grown rapidly in many urban areas following the 2007 national recession, it might be expected that property tax revenue would also grow rapidly. This has not occurred in California and Nevada, due to statutory limitations on the annual increase in assessed valuation.

For the local governments in California, assessed valuation growth per property is limited to 2% per year for all properties until they are sold, at which time they are reassessed to market value. In Nevada, the annual cap on growth in assessed valuation is 3% for primary residences, and higher rates for other types of structures. Nevada however, has a unique residential property depreciation allowance of 1.5% per year that reduces actual revenue growth below 3% annually for existing dwellings. This constraint on property tax revenue growth will make it difficult for local government operations, including public works, to maintain their current LOE when inflation increases faster than 2-3% per year. As mentioned above, labor in the Tahoe Basin is difficult to acquire and it is likely that annual labor cost (wages, health care, etc.) increases will exceed 2-3% per year for at least some of the years during positive economic growth and while unemployment is at very low rates.

B. Revenues With Inflation Adjustment

The local government sales tax, which is typically a general fund revenue, has the advantage of responding to inflation as the price of goods increase, unlike the non-indexed fuel taxes or property taxes with policy limitations on revenue. The Transient Occupancy Tax (TOT) similarly is a type of sales tax on room accommodation and can go up with room price inflation. Both the sales tax and TOT revenues will be affected by regional economic conditions in the Tahoe Basin, thus the rate of tax revenue growth may or may not keep up with cost of transportation goods and services. Despite this, taxes tied to the price of goods are clearly more effective at protecting against inflationary impacts than flat taxes levied on a per unit basis such as per gallon fuel taxes.

In addition, local government fees for services have the potential to be adjusted for inflation by the local government policy board on a regular basis, allowing revenues to keep pace with inflation.

C. New Funding Measures Need Inflation Adjustment

In light of the above discussion, it will be critical to structure any new regional Tahoe transportation funding source(s) to have inflation adjustments which occur automatically and are tied to appropriate indicators of transportation cost inflation. There may also need to be additional fee adjustments as projects and services are added/deleted to the Tahoe RTP.

4. Current Tracking of Funding LOE in Tahoe Basin

Tracking funding LOE for federal, state and local revenues is not currently assigned to any public entity. It will be challenging, given the multitude of funding sources and the hundreds of existing and new services and projects that are anticipated in the Tahoe RTP. Ideally, a single entity would take responsibility for tracking funding LOE and project implementation and have access to detailed data regarding all of the relevant RTP funding sources, data on the costs for both transportation capital projects and services, and data on the status of those transportation projects.

The Tahoe Basin has the good fortune of having the Tahoe Regional Planning Agency (TRPA), an agency that has taken responsibility for monitoring, researching and

documenting progress on key projects and services through the Tahoe Federal Transportation Improvement Program (FTIP) and Tahoe Environmental Improvement Program (EIP).

TRPA, in its role as the Tahoe Metropolitan Planning Organization (TMPO), is required to prepare and adopt a Federal Transportation Improvement Program (FTIP) by federal transportation legislation. Under this federal legislation, States and MPOs are required to take a performance-based approach to planning and programming. The TMPO continues to highlight the connection between project effectiveness and monitoring performance toward meeting regional and local goals. An effort to identify and implement best in practice performance metrics and intuitive public engagement tools to track progress is underway.

This process is intended to provide useful information for decision-making, while fostering program alignment. TRPA's performance-based transportation planning framework utilizes Tahoe Regional Transportation Plan performance measures, and various state metrics of performance.

TMPO prepares and adopts the program every two years in conjunction with the following local agencies: California Department of Transportation (Caltrans), Nevada Department of Transportation (NDOT), the Federal Highway Administration (FHWA), and the Federal Transit Administration (FTA).

TMPO recently adopted the 2019 FTIP, which programs the Region's priority transportation projects over the next four federal fiscal years (FFY) 2019 through 2022. The projects are recommended for various stages of development during the program period. The project

listings include the location and description of proposed work, project cost, anticipated funding sources, and the scheduled year of work.

In addition, TRPA has developed a collaboration with virtually all of the federal, state and local government entities that are responsible for projects and services that are critical to the health of Lake Tahoe. These projects and services are documented in the Environmental Improvement Program (EIP). TRPA launched the EIP process in 1997, and has developed an extensive, on-line listing of projects and services, including most of the existing and planned Tahoe RTP projects and services. Upon review, there are some projects that are not listed in the EIP, and there are some projects listed in the EIP that have no cost data. These omissions could be addressed fairly quickly and would allow the EIP to be a comprehensive source of information on all RTP projects, including projected costs, revenue sources, schedule for implementation, implementing entity, and current status.

TRPA also produces an annual EIP report which documents progress in implementing projects and achievement of goals. The most recent report: “2018 Environmental Improvement Program” includes a Sustainable Recreation and Transportation section, highlighting achievements. It is notable that the 2018 EIP report does not document any current transit services, nor progress in implementing planned future transit services. Transit services, as well as other multi-modal improvements are essential investments necessary to meet TRPA vehicle miles of travel and greenhouse gas emission targets.

5. Tracking Vehicle Miles of Travel (VMT) and Green House Gas (GHG) Targets

TRPA is responsible for monitoring the attainment of the Tahoe Basin VMT standard of 2.03 million daily VMT, as documented in the Tahoe RTP (sec 5- page 8). In addition, TRPA is responsible for monitoring the GHG emission reduction targets for cars and light trucks as required by California SB 375 (sec 5- page 10). The attainment of both the VMT and GHG targets require that transit services be increased to foster increased transit utilization and reduction in private auto use. TRPA did include an evaluation of the status of the VMT and GHG targets in the 2017-2040 Tahoe RTP.

Reporting the current transit service levels and ridership should be a priority for the TRPA, as well as progress toward meeting the VMT and GHG targets. All available data should be reported annually in the EIP progress report to ensure continued progress in air and water quality in the Tahoe Basin. It is understood that TRPA may not have new data to report each year on the VMT and GHG targets, given they are complicated and data intensive analyses. However, the VMT and GHG goals are so important their status warrants inclusion in annual documents like the EIP report or the bi-annual FTIP.

6. Resident versus Non-Resident Transportation Funding LOE

Table 4 shown below documents the resident and non-resident RTP revenue assumptions by funding category for all of the existing revenue sources. Although the existing data lacks sufficient detail to make a precise calculation, utilizing the assumptions described in Task 2, the RTP projected stream for 2017-2040 of \$1.587 billion (2017\$) of existing revenues, 95 percent to residents, and 5 percent to non-residents.

As discussed in Task 2, the projected shortfall for the period 2017-2040 is estimated to be \$1.539 billion (2017\$), with all adjustments, thus it is recommended that vast majority of new revenues be collected from non-residents to achieve a more equitable balance of who pays for the RTP versus who benefits.

Table 4: Tahoe RTP 2017-2040 Revenue Payments: Residents versus Non-Residents

Source	Bus	Street/Bike/Ped	Water Quality	Ferry	Total	Non-Resident	Resident
LOCAL SOURCES							
Farebox Revenues	\$4,459,085				\$4,459,085	\$1,337,726	\$3,121,359
TRPA Rental Car Mitigation Fund	\$2,925,507				\$2,925,507	\$2,925,507	
TRPA Air Quality Mitigation Fund		\$9,769,944			\$9,769,944		\$9,769,944
TRPA Water Quality Mitigation Fund			\$11,641,513		\$11,641,513		\$11,641,513
Local Funds (on-going)	\$69,000,000	\$96,044,160			\$165,044,160	\$42,324,247	\$122,719,913
Local Funds (project specific)		\$13,253,350			\$13,253,350	\$74,219	\$13,179,131
Private Funds	\$1,150,000	\$35,450,000			\$36,600,000		\$36,600,000
Ferry Partnership				\$128,800,000	\$128,800,000	\$38,640,000	\$90,160,000
O&M (bike trail, ped facilities, roadway, stormwater)		\$280,757,176	\$32,000,000		\$312,757,176	\$1,751,440	\$311,005,736
Environmental Stormwater Capital			\$112,241,793		\$112,241,793		\$112,241,793
Total Local	\$77,534,592	\$435,274,630	\$155,883,306	\$128,800,000	\$797,492,527	\$87,053,139	\$710,439,388
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State Transit Assistance and Local Transportation Fund	\$97,848,060				\$97,848,060		\$97,848,060
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Total Federal	\$170,766,510	\$247,735,992	\$0	\$19,500,000	\$438,002,502		\$438,002,502
Total Local/State/Federal	\$350,433,161	\$923,666,099	\$155,883,306	\$148,300,000	\$1,578,282,567	\$87,053,139	\$1,491,229,428
					% of Total	5.5%	94.5%

There is very limited data currently available to assess the local government tax contributions from non-residents/visitors to the Tahoe Basin. This is an area that would benefit greatly from further research and data collection to refine these estimates. In addition, there may be interest in doing further research and data collection to develop an estimate of the state and federal contributions of non-residents to the transportation funding in the Tahoe Basin, although this will be a very challenging exercise that will likely show an extremely small impact.

In summary, it will be important to monitor the continuation of LOE from all of the RTP revenue sources to determine if there are any changes to the resident versus non-resident contribution ratio discussed above. In terms of focus, the TOT funding is the most important to monitor, since it makes up the majority of the non-resident contributions and is obviously contributed by non-residents. As a starting point, it is recommended that the new funding mechanism(s) achieve approximately a 95 percent non-resident and 5 percent resident contribution ratio to work towards a more equitable balance of who pays. As more precise data is collected in the after implementation, periodic adjustments to the various funding mechanisms can be made to ensure that an equitable balance between resident and non-resident contributions to the transportation system is maintained.

The Task 4 Memo will address the suggested entity to conduct the monitoring of funding LOE, and a process to do the monitoring of the current and future ratio of resident versus non-resident contributions to RTP funding.