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COMMISSION

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*Memorandum*

TO: Commission

DATE: March 19, 2014

FR: Executive Director

W. I.

RE: Regional Funding Initiatives

Plan Bay Area identified nearly \$300 billion in transportation revenues over the next twenty-eight years to achieve its ambitious goals. Despite these significant resources, the Plan falls short by \$45 billion just to maintain the existing transportation assets in an optimal state of repair. Further, the Plan calls for MTC and ABAG to “urge the Bay Area’s state legislative delegation to create a new permanent revenue source for transportation to better maintain and increase the efficiency of the existing network and to invest in high-performing network improvements that further the goals and performance metrics of Plan Bay Area”.

With the passage of Proposition 26 in 2012, the landscape for raising new revenue, at all levels of government, has become increasingly challenging. In addition, local governments at the city, county and special district levels are also seeking revenue sources for transportation and non-transportation purposes.

Staff is providing several options for Commission discussion that could increase the revenue for transportation investments. The revenue options are grouped into four categories and include the following:

1. Fuel-Based Revenues: regional gas tax; cap and trade revenues; and carbon tax,
2. Vehicle-Based Revenues: vehicle license fee and regional vehicle registration fee,
3. Use-Based Revenues: express lanes; bridge tolls; and road usage charge,
4. Economic/Development Based Revenues: payroll tax; transportation utility tax; and transportation impact tax

These options vary significantly in potential revenue generation from \$20 million to \$365 million annually and in terms of key considerations including eligible uses and flexibility; ease of authorization; voter threshold requirements; and taxpayer burdens and benefits. We look forward to a discussion on these revenue possibilities and potential regional funding initiatives.

  
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Steve Heminger

SH: AB

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# Regional Funding Initiatives



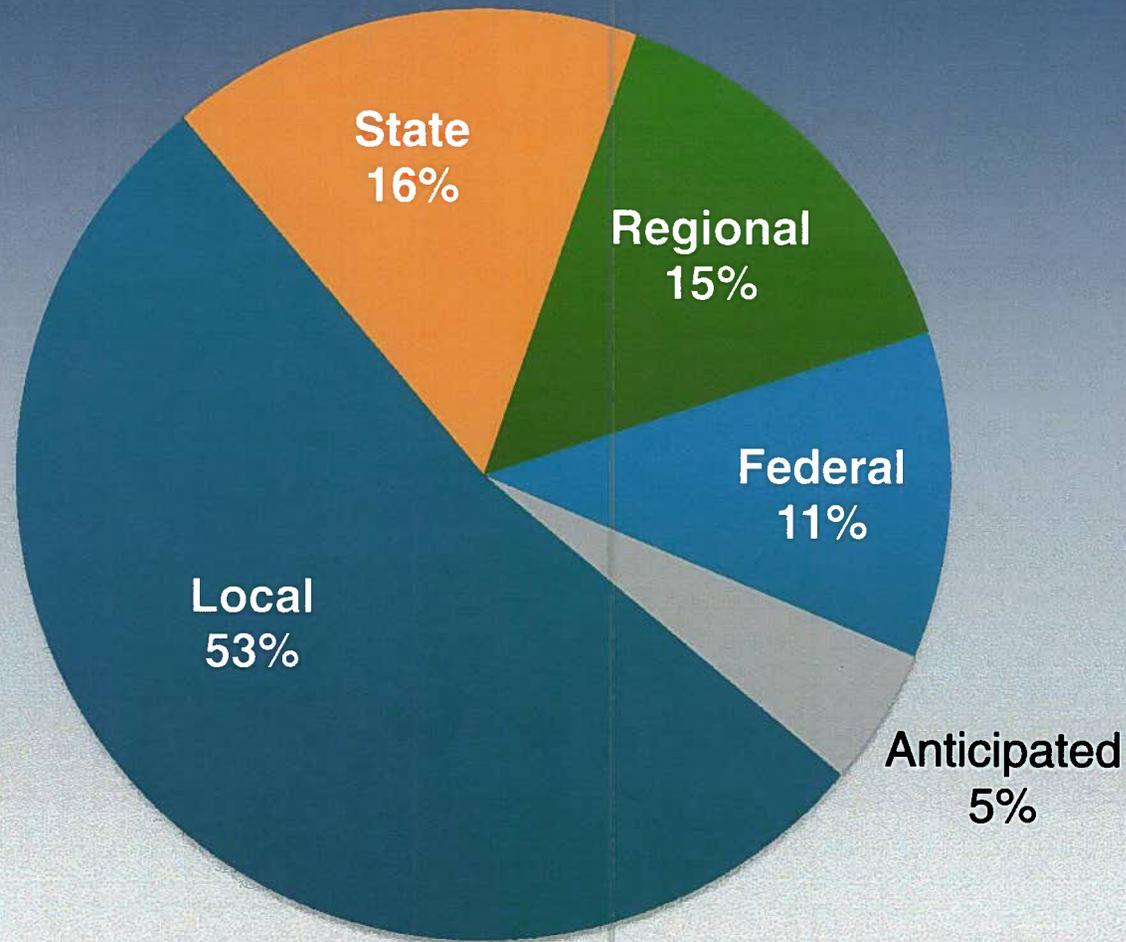
**Randy Rentschler**

Director, Legislation and Public Affairs

**March 2014**

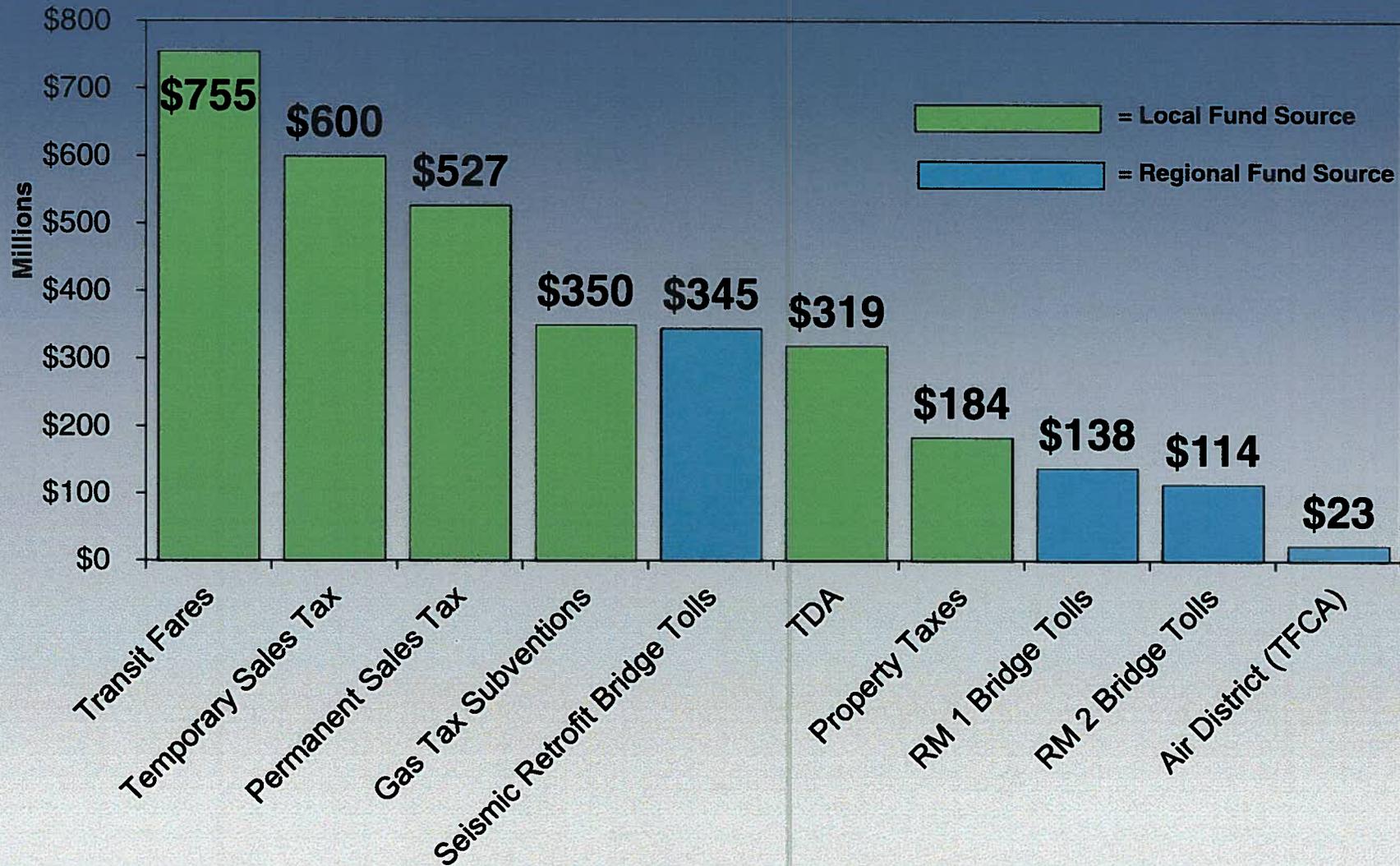
# Current Plan Bay Area Revenues \$292 Billion Total

Total Revenue by Source



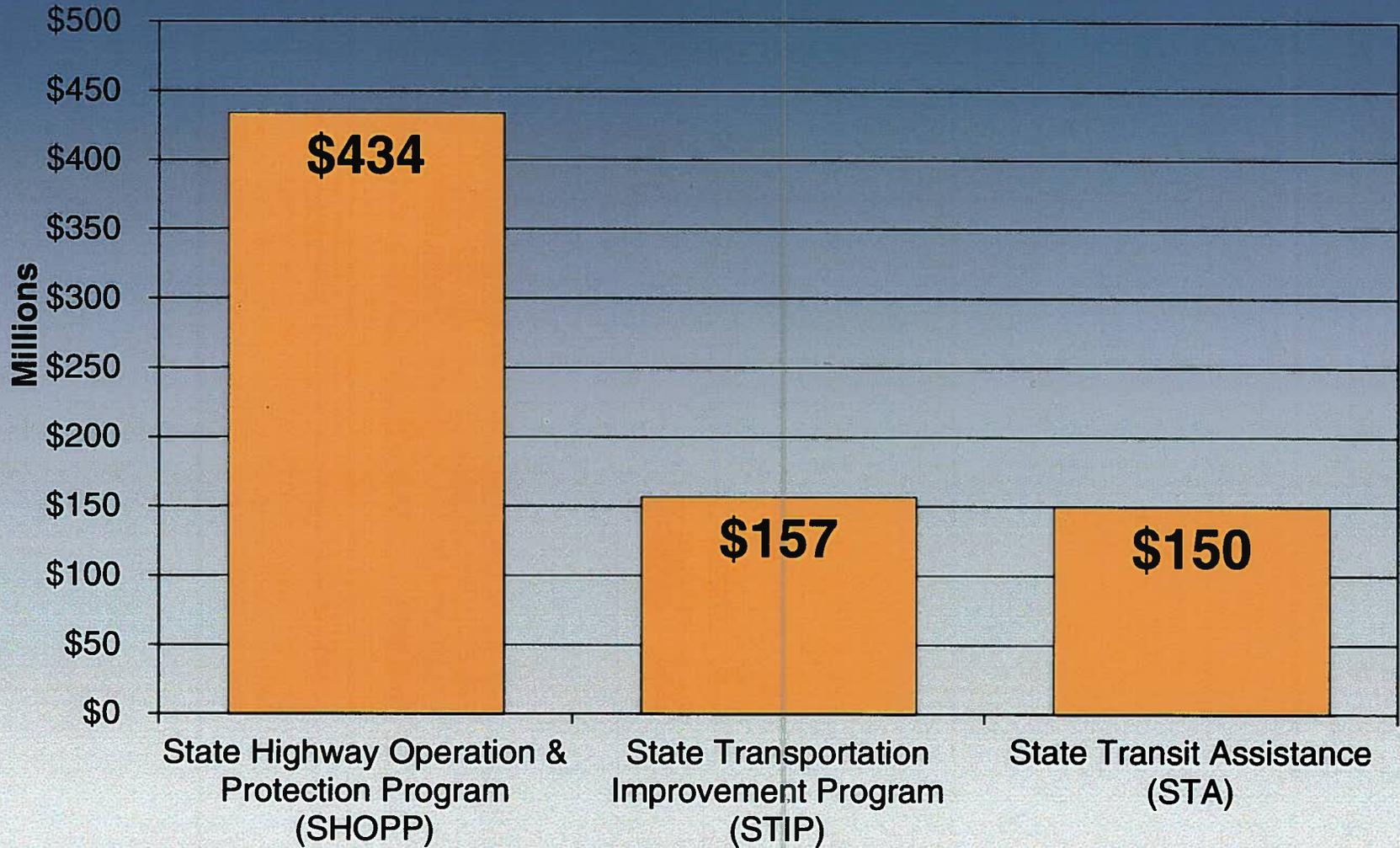
# Existing Funding Sources: Local & Regional

Annual Bay Area Revenue Amounts



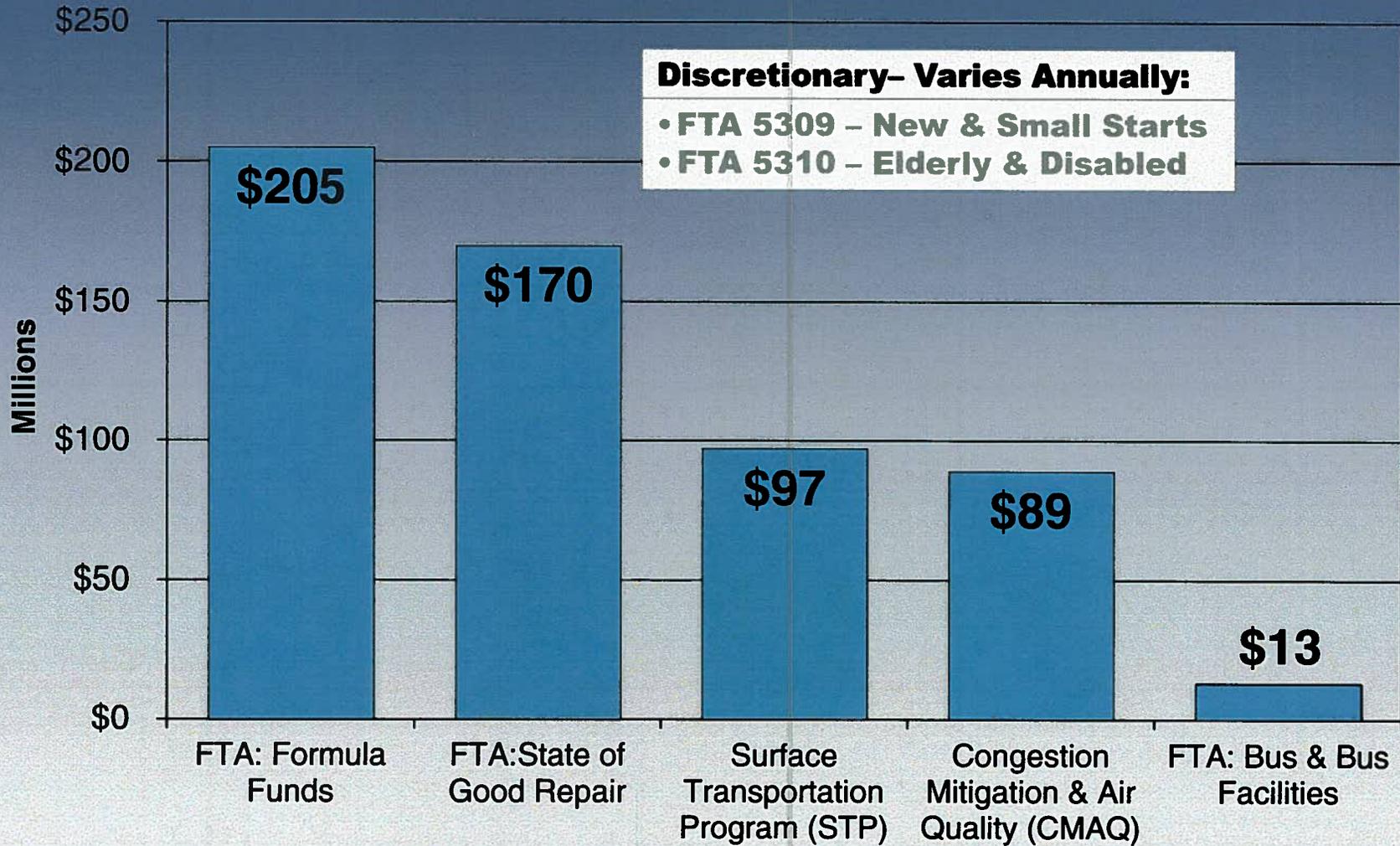
# Funding Sources: State

*Annual Bay Area Revenue Amounts*



# Existing Funding Sources: Federal

*Annual Bay Area Revenue Amounts*



# Current Revenue Not Sufficient

*“MTC/ABAG will urge the Bay Area’s state legislative delegation to create a new, permanent revenue source for transportation to better maintain and increase the efficiency of the existing network...”*

*Source: Plan Bay Area, 2013*

# **New Opportunities and Challenges**

# **New Revenue Options: Landscape**

- **Proposition 26 (2012) deemed nearly all revenue options “taxes” rather than “fees”**
- **If the revenue provides a benefit to a non-fee payer, it is a “tax”**
- **Taxes require 2/3 supermajority vote**
- **Local governments at the city, county and special district levels are also seeking revenue sources for transit, roadway and other purposes**

# **New Revenue Options: Considerations**

- **Flexibility in use of revenue source**
- **Ease of authorization**
- **Public/political support**
- **Voter threshold requirement**
- **Equity of taxpayer burden**
- **Transportation “user fee” nexus**

# Fuel-Based Revenue Options

Fund Source	Description	Avg. Annual Revenue (In Millions)	Eligible Uses	Authorized	Vote Required
<b>Regional Gas Tax</b>	10 cent/gallon excise tax in all nine counties	\$220	Flexible	Yes	2/3rds electorate
<b>Cap &amp; Trade</b>	Revenue for regional investment in transportation from the sale of carbon allowances	\$20 - \$150	Restricted to projects that demonstrate a carbon reduction benefit	Yes	N/A
<b>Carbon Tax</b> (SB 1156, Steinberg)	\$25/ton tax on carbon. 30% of revenues generated would be used for transportation	\$130 - \$360	Public Transit Earned Income Tax Credits (EITC)	No	2/3rds of Legislature

# Vehicle-Based Revenue Options

Fund Source	Description	Avg. Annual Revenue (In Millions)	Eligible Uses	Authorized	Vote Required
<b>Vehicle License Fee</b>	0.3% annual vehicle license fee based on automobile value	\$220	Flexible	No	2/3rds
<b>Regional Vehicle Registration Fee</b>	\$10 annual registration fee	\$65	Flexible	No	2/3rds

# Use-Based Revenue Options

Fund Source	Description	Avg. Annual Revenue (In Millions)	Eligible Uses	Authorized	Vote Required
<b>Express Lanes</b>	Variable toll on 270 mile network	TBD	Express lane network construction; then O&M/ corridor mobility	Yes	N/A
<b>Bridge Tolls – Regional Measure 3</b>	\$1 increase on all seven state-owned regional bridges	\$120	Bridge O&M / capital projects that help mobility in corridors	No	50+%
<b>Road Usage Charge</b>	1/2-cent per mile driven in all nine counties	\$285	Flexible	No	50+% of Legislature

# Economic/Development Based Revenue Options

Fund Source (Examples)	Description	Avg. Annual Revenue (In Millions)	Eligible Uses	Authorized	Vote Required
<b>Payroll Tax</b> (Tri-Met, OR & NYC)	0.1% tax on wages in nine counties	\$220	Flexible	No	2/3rds
<b>Transportation Utility Tax</b> (Examples: OR & CO cities)	\$1 tax charged to residential dwellings and businesses based on "trips generated" formula	\$67	Flexible	No	2/3rds
<b>Regional Developer Fee</b> (Examples: Solano and Contra Costa Counties)	A \$1,500 per new dwelling development tax	\$20	Regionally significant projects	No	50+%

# Equity of Funding Sources: Taxpayer Burden & Benefits

- Taxes and fees are considered regressive if they absorb a higher share of low-income budgets.

High	Medium	Low
Regional Gas Tax	Cap & Trade (SB 535, DeLeon)	Carbon Tax (SB 1156, Steinberg)
Transportation Utility Tax	Vehicle Registration Fee	Vehicle License Fee
	Bridge Tolls	Express Lanes
	Road Usage Charge	Payroll Tax
		Regional Developer Fee

- Regressivity can be mitigated based on how the revenue is invested.

# Revenue Option Comparison

(Annual Generations in Millions \$)

