

# CHAPTER 4

## FUNDING THE PLAN



## Funding the Plan

Tahoe's transportation system is financially supported by federal and state governments providing planning and construction funding through formulas that are calculated based on residential populations, and through competitive grant programs. Local agencies and jurisdictions support the system through capital project funding, operations and maintenance, and contributions to transit and/or by participating in public/private partnerships.

### *Policy Highlight*

*Policy 5.4: Collaborate with local, state, tribal, regional, federal, and private partners to develop a regional revenue source to fund Lake Tahoe transportation investments.*

Federal law requires the planned transportation investments in the RTP *be financially constrained* or based on reasonably foreseeable forecast of future revenues. The forecasted revenues needed to fund the plan's projects and programs over the next 25 years are included in the *Constrained List* of reasonably foreseeable funding to implement the plan's projects by 2045.

The Bi-State Consultation on Transportation reconvened in 2019, following the adoption of the 2017 RTP/SCS. Led by the CA Natural Resources Secretary and NV Department of Conservation and Natural Resources Director. The Sustainable Funding Initiative is looking at new ways of funding RTP priorities that will make the biggest difference to reduce VMT and challenges. This renewed collaboration to fund the delivery of RTP priorities includes TRPA, Tahoe Transportation District, local and regional partners, and non-profits to establish sustainable revenue across a multi-sector partnership. With the Sustainable Funding Initiative, a comprehensive workplan has been activated and is guiding the regional consensus process driving toward a funding proposal in 2021. The proposal will recommend appropriate federal, state, tribal, and local legislative and administrative actions.

The Sustainable Funding Initiative will identify priority investments from the RTP to demonstrate the sustained funding need, and will evaluate various funding mechanisms, including review of the findings from the TTD 2019 One Tahoe study.

## FUNDING OUTLOOK

The Lake Tahoe Transportation program is funded by a complex mix of Federal, State, tribal, local, and private sources. Resort destinations like Lake Tahoe, which see high visitation and seasonal travel, require funding sources for transportation services that reach above and beyond the basic needs of residents and commuters. While there have been some new funding opportunities unlocked for Tahoe, there remains a funding gap to realize the full envisioned transportation system.

In 2015, Lake Tahoe saw federal and state funding increases with the passage of the federal Fixing America's Surface Transportation Act, which recognized the fact that the Lake Tahoe Region functions as an urbanized area with an effective population base of 210,000. The recognized

population assumption increased overall federal transportation funding for the region to approximately \$7 million per year, from \$3.4 million. The funding increase made it possible to sustain improved transit services, continue to close gaps in the active transportation network, and improve corridors.

Local government and private investments for transportation have also recently increased in some areas around Tahoe as transportation continues to be an important priority. This is also in response to federal and state grants that are now requiring higher and higher local matching funds. Large federal and state infrastructure grants (BUILD, INFRA, AHSC, SB1, Etc.) often require a minimum of 50% or more in matching funds to be competitive. This currently limits

the region in how aggressive it can be in going after the multitude of federal and state transportation grant programs.

The revenue forecasted in the plan is a reasonable estimate of what the region is likely to receive from anticipated funding sources during the life of the plan (Appendix C). The forecast reflects historically available funding levels, a reasonable expectation of success with discretionary grants, and a new regional revenue estimate being actively pursued as part of the Sustainable Funding

Initiative. The average rate of inflation used for the RTP revenue forecast is 2 percent. This is based on the last 20 years of data from the U.S. Bureau of Labor Statistics inflation calculator website.

An estimated \$2.4 billion in revenue is anticipated to be available over the 25-year planning period. TRPA forecasts needed investments totaling nearly \$3.4 billion to implement the plan's full build out over 25-years, leaving a \$1 billion gap (Appendix B).

## FUNDING PROJECT IMPLEMENTATION

Transportation projects are typically implemented by state departments of transportation, transportation districts, special districts, and local agencies.

Project partners receive funds through local programs, state and federal formula or competitive grants, private sources, and non-profit partnerships. Most of the federal formula funds are distributed through the TRPA-administered Regional Grant Program that selects projects based on evaluation criterion linked to regional transportation performance and vehicle miles traveled and greenhouse gas emission reduction.

Regionally significant projects, including those identified by the Bi-State Consultation, are highly competitive for funds through the Regional Grant Program.

A regionally significant project means a transportation project which serves regional transportation needs, such as access:

- To and from Tahoe and the mega-region,
- Major activity centers in the region,
- High demand recreation facilities,
- Transportation terminals that would normally be included in the modeling of a region's transportation network,
- And including at a minimum all major improvements on principal arterial highways.

TRPA, as the MPO, is responsible for coordinating with project partners to track project timing and funding availability to efficiently implement the RTP. The programming process is flexible and nimble to ensure all funds are utilized. Adjustments may be necessary if a project is delayed or has increased or reduced funding needs. This also may allow for other projects to be advanced through collaboration and coordination among the implementation partners.

After funding is secured, funds are required to be programmed in the 4-year Federal Transportation Improvement Program (FTIP) for tracking and ensuring consistency with the RTP. The first 4-years of the RTP is consistent with the 4-year FTIP fund estimate. TRPA prepares and adopts a TIP bi-annually for both a California TIP (including all projects) and a Nevada TIP (including only projects in that state).

## FUNDING THE VISION

This section will provide detailed description of how the RTP is anticipated to be funded by the various sectors (federal, state, regional, local, & private). The RTP is financially constrained, meaning the amount of funding programmed in the plan does not exceed the amount of funding that is forecasted to be reasonably available within the next 25 years.

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### *Policy Highlight*

*Policy 5.4 - Collaborate with local, state, regional, federal, and private partners to develop a regional revenue source to fund Lake Tahoe transportation investments*

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The constrained projects and programs (Appendix B) are anticipated to be funded with the reasonably foreseeable sources listed below.

Overall, the anticipated revenue for the RTP is comprised of 30% discretionary competitive grants and 70% annual formula funding. This assumes the concerted and vigilant commitment by agency partners, to actively pursue grant funding, and fostering the public support and political leadership to establish and maintain local and regional funding for transportation.

### **Foreseeable Revenue Sources**

The following is a brief description of each funding sector and its contribution to implement the RTP.

#### *Federal*

Just over \$665 million in federal funds are expected to be available over the next 25 years.

Some of the federal funding sources include: Surface Transportation Block Grant Program, Congestion Mitigation & Air Quality Program, the Federal Lands Access Program, and Federal Transit Administration grants.

Most of the federal sources have restrictions on their use and may only go toward certain types of projects in certain locations. All federal transportation funding is administered through well-established programs and competitive grants that have criteria favoring large urban areas, in addition to significant non-federal match requirements. These challenges put the Tahoe Region at a disadvantage for large federal grants.

#### *State*

Approximately \$451 million in funding is projected from California and Nevada over the next 25 years.

Some of the state funding sources include:

California: Transportation Development Act (TDA), California State Highway Operation and Protection Program (SHOPP), the State Transportation Improvement Program (STIP), SB1 Programs, the California Active Transportation Program

Nevada: Nevada State funds, State Gas Tax, Environmental Improvement Program Bonds

Most of the state revenues are linked to taxes on gasoline. The power of gasoline taxes has been undercut by inflation and less gasoline purchased due to improved vehicle fuel economy and fleet electrification.

Even though both states are investigating replacements to gasoline taxes, the continued decline in revenue will likely impact near- and long-term funding.

### Local

Local funding is estimated to provide just over \$718 million in revenue to support transportation improvements and operation and maintenance over the next 25 years.

Local revenue sources vary by jurisdiction and are forecasted to include a variety of contributions such as Placer County transient occupancy taxes (TOT) and new Transportation Business Improvement District, air quality and rental car mitigation fees, operation and maintenance funds, a parcel tax for dedicated maintenance of bicycle and pedestrian facilities (South Lake Tahoe and El Dorado County voter-approved), City of South Lake Tahoe sales tax measure for funding a road rehabilitation program, a five-cent increase to the gasoline tax (Douglas County Commissioners), transit farebox revenues from inter-regional transit routes and water taxi services, and an annual sales tax allocation dedicated to TART operations from Washoe.

Parking fees are another growing source of funding for transportation projects and operations and maintenance activities.

### Regional

As an outcome of the ongoing Sustainable Funding Initiative, new regional funding is initially estimated at \$20 million annually to support RTP implementation, and over the life of the plan \$486 million total. The actual revenue generated from new regional sources may vary and will be updated in subsequent RTPs. Therefore, the funds are conservatively estimated to start in 2026, outside of the first 4-year FTIP cycle and after the next RTP cycle.

### Private Sector

Private sector funding accounts for over \$102 million in revenue and primarily focuses on transit investments over the course of the plan. Private funds are anticipated from ski shuttle, water taxi, inter-regional transit, and microtransit operations.

Public and private transit services continue to integrate and provide mobility solutions for the region. Accounting for private funding reflects how privately operated transportation is providing more travel options at Tahoe, for example North Shore micro transit service and the Heavenly ski shuttles serving the core of the South Shore.

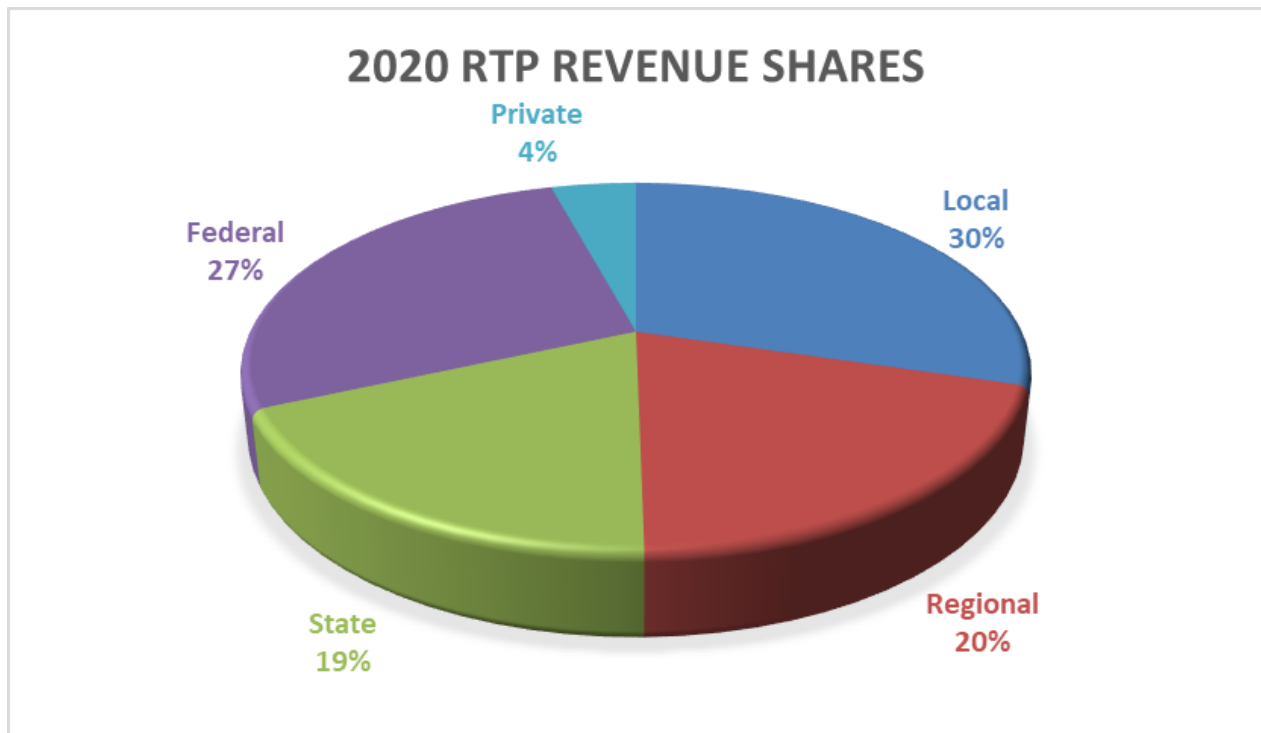


Figure 67: Constrained Revenue by Source

## Public-Private Partnerships

Many private partners, advocacy groups, and public agencies at all levels of government are working together to advance the region toward Tahoe's Regional Transportation Plan goals. These public-private partnerships can bring innovative transportation projects, funding, and operations. TRPA will continue to work with private partners to implement innovative solutions at Lake Tahoe.

### Tahoe South Events Center:

The Tahoe South Events Center, currently under construction in Stateline on the South Shore, will provide a combination of fixed route, zone-based, and on-demand transit service that is free to the user with a goal of 15-minute headways to mitigate the projected increases in VMT and vehicle trips.



*Figure 68: Tahoe South Events Center with Transit*

As federal and state transportation funding continues to decline, many communities across the country are making the necessary choices to become self-help jurisdictions through various local ballot measures that are tied to a supported multi-year transportation investment program.

### North Lake Tahoe:

- North Shore transient occupancy taxes have supported transportation investments over the most recent regional transportation planning cycle and those funds will continue through the RTP. The TOT funding most recently allowed the local transit agency to transition to free fares for riders.
- Adopted in early 2021, the North Lake Tahoe Tourism Business Improvement District (TBID) was adopted by Placer County. The self-assessed fee will generate revenue from lodging, food and beverage, retail, and recreation and activity providers. The TBID will support transportation projects including a microtransit service, expanded park and ride options, pedestrian crossing guards during peak times of the season, \$ temporary road signal at Grove Street in Tahoe City, and expanded snow removal services on trails.

### South Lake Tahoe:

- In November 2020, the voters of the City of South Lake Tahoe passed a one-half cent sales tax increase. Funding raised through this tax will support road rehabilitation projects withing the City.

## UNFUNDED ELEMENTS OF THE VISION

The RTP project listings in Appendix B also include unfunded projects that are necessary to complete the vision. These are identified in the plan's project list so that they are ready to move forward into the constrained list as additional funds are secured. As shown below, transit investment is the most underfunded and represents the greatest additional need for ongoing funding to provide sustainable operations.

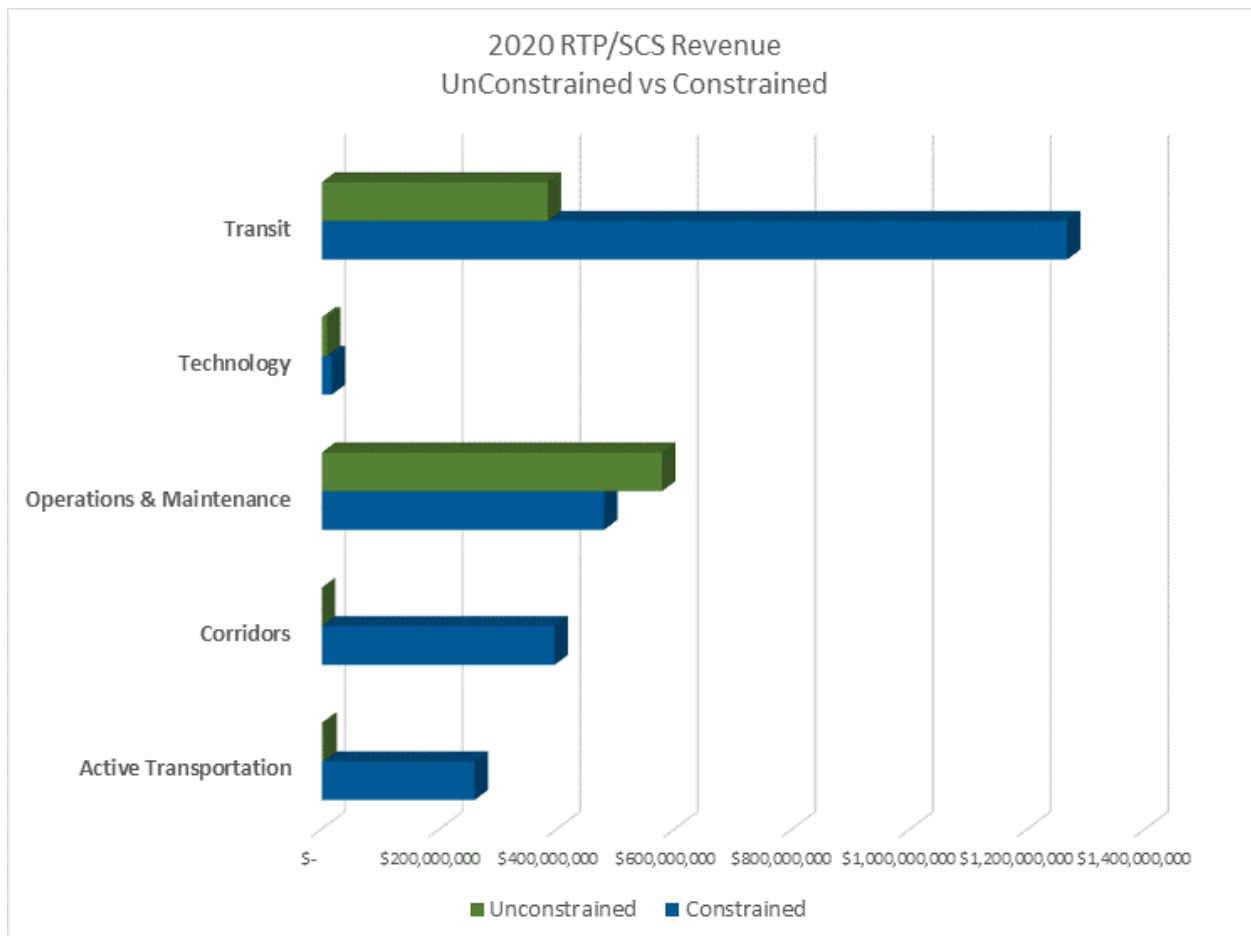
Overall, an approximate \$1 billion shortfall is identified to fully fund the unconstrained project list over the next 25-year period.

By 2025, \$97 million in additional funding is needed, \$3 million for active transportation projects and \$94 million for deferred operations and maintenance is needed.

By 2035, \$240 million in additional funding is needed to address shortfalls of \$22 million for transit and \$218. million for deferred operations and maintenance

By 2045, \$637 million in additional funding is needed, \$9 million for technology improvements, \$266 million for deferred operations and maintenance, and \$362 million for transit.

Figure 69: Unconstrained vs. Constrained Revenue





### Additional Possible Revenues

The transportation system transformation that Lake Tahoe's environment deserves and communities around the lake demand will require dedication, collaboration, and difficult political decisions – the Sustainable Funding Initiative is driving toward establishing new regional funding sources to help pay for high-priority projects, services, and programs.

State, federal, and local transportation funding sources can vary dramatically from year to year based on the economy, budget decisions, and political priorities. A sector-based approach is underway that targets multiple sources needed to fill the gap that may vary based on the success of receiving discretionary grants.

As part of the Sustainable Funding Initiative, various sources of regional funding will be evaluated alongside new and emerging local, state, and federal funding opportunities.

### Pricing Strategies

Dynamic pricing strategies are employed around the world to generate revenue to fund transportation improvements, shift users to travel at non-peak times or to different travel modes, reduce impacts to the environment, and improve resident and visitor quality of life. Some pricing strategies that are either in place or under consideration elsewhere include:

- *Road User Charge* – As declining gasoline taxes continue to erode transportation funding at state and federal levels, there is a growing desire to establish a sustainable replacement. Road user charges, that are charged based on the amount someone drives, are currently being studied by both states (California and Nevada) and at the federal level. While this may only stabilize current funding programs it is important to monitor these initiatives as they relate to Tahoe funding.
- *Dynamic Parking Pricing* charges a higher rate to park at popular locations during busier times, such as 10 a.m. on a Saturday in July, versus at less busy times, such as 10 a.m. on a Thursday in July. These costs incentivize travelers to walk, bike, or take transit instead, which are funded by dynamic parking revenue.
- *Congestion pricing and cordon pricing* charges for driving into defined areas or zones. There are examples of this pricing strategy in London, Stockholm, and soon in New York City.

The US Department of Transportation and the State of California (CA Transportation Plan) specifically encourage the consideration of pricing solutions that address traffic issues and generates revenue to improve the transportation system.



## **Sustainable Funding Initiative – Collaboration in Action**

For decades, Tahoe's transportation system improvements have been funded largely by competitive discretionary grants and limited fixed funds. More recently, grant sources and even fixed funds for transportation are becoming more competitive, less reliable, and are on the decline.

The initiative is an outcome of the Bi-State Consultation on Transportation, convened by the State of California and Nevada to tackle Lake Tahoe's transportation issues, and growing local and regional consensus around enhancing funding to deliver Lake Tahoe's transportation vision.

There is broad, multi-sector support for new transportation funding sources dedicated for Lake Tahoe and proposals under development to align advocacy for both new and existing sources. The Tahoe Transportation District's (TTD) 2019 "One Tahoe" funding study evaluated a menu of potential new funding sources. The study provides a foundation for further work to align local governments, TTD, TRPA, and the states on new transportation funding strategies, understanding there may be different perspectives and approaches that need to be voiced and agreed upon.

This Regional Transportation Plan is the starting point to understand the revenues needed to fill transportation program funding gaps to implement the priorities of the RTP. A more detailed workplan and timeline is available upon request.

In addition to advancing public and legislative engagement, the goal is to have new transportation revenues established by 2026 or sooner to deliver the critical investment needed to address the region's transportation needs.