

Financial Reality

Mobility 2035 Supported Goals

- Pursue long-term sustainable revenue sources to address regional transportation system needs.
- Provide for timely project planning and implementation.
- Develop cost-effective projects and programs aimed at reducing the costs associated with constructing, operating, and maintaining the regional transportation system.

Introduction

Federal regulations require that metropolitan transportation plans be financially constrained to available resources. This means that projects and programs may only be included in the long-range plan if funding can be identified for their implementation. It is estimated that the Dallas-Fort Worth region would need approximately \$395.3 billion to eliminate the worst levels of congestion. Mobility 2035 identifies approximately \$101.1 billion in resources to fund transportation in the region through the year 2035. Mobility 2035 does not represent a wish list of transportation projects and programs, but instead is an inventory of the most needed projects and programs that most meet the region's transportation goals. In addition to financial constraint, the metropolitan transportation plan must report financial information in year of expenditure and total project cost to more accurately reflect the true cost of implementing programs and projects over time. Financial information in Mobility 2035 is adjusted for inflation and represents year of expenditure and total project cost unless otherwise noted.

Mobility 2035 Policies

Policies represent an important part of the planning process as they often set the tone for project or program development and delivery. The following policies are broad and meant to guide the financial aspects of transportation planning. These policies are not intended to address the specific allocation of funds or funding for individual projects and programs. A complete list of policies can be found in Appendix A.

Transportation Funding at a Glance:

Funding improvements for the region's multi-modal transportation system is complex. There are a number of revenue sources available to build and maintain the system; however, many revenue streams for transportation are restricted to certain uses – this means that only particular types of improvements can be funded with a given source. Transit in the region is largely funded by the sales taxes that are collected within the given transit authority's service area. Roadway projects are funded through federal and state fuel taxes, vehicle registration fees, toll user fees, state and local bond programs, and local governments' general funds. Other transportation improvements like bicycle/pedestrian facilities and congestion management tools can also be funded with the previously mentioned sources. There are two important documents when it comes to funding transportation projects. They are this document, the Metropolitan Transportation Plan, and the Transportation Improvement Program. The Metropolitan Transportation Plan is a long-range planning document that acts like a savings account. It serves as a guide for the projects and programs that the region would like to implement over the life of the Metropolitan Transportation Plan. It also identifies potential ways in which the desired improvements could be funded. The Transportation Improvement Program is a more near-term planning document and acts like a checking account. It lists the specific projects that will be programmed for funding in the near term. For a project to be funded it must be in both the Metropolitan Transportation Plan and the Transportation Improvement Program.

Did you know ...

... state and federal fuel taxes are assessed on a per-gallon basis? This means that no matter how much fuel costs, you are always paying the same amount of tax.

... current state fuel taxes are \$0.20 per gallon and have not increased since 1991?

... federal fuel taxes are \$0.184 cents per gallon for gasoline and \$0.244 for diesel and have not increased since 1993?

F3-001: The Regional Transportation Council (RTC) will select and program projects within the guidelines established by the funding source. Programming and selection guidelines for RTC Local Funds are determined by the RTC.

F3-002: Incorporate sustainability and livability options during the project selection process. Include additional weighting or emphasis as appropriate and consistent with RTC policy objectives including, but not limited to, demand management, air quality, natural environment preservation, social equity, or consideration of transportation options and accessibility to other modes (freight, aviation, bicycle and pedestrian).

F3-003: Ensure adequate funding for multi-modal elements within implemented projects.

F3-004: Utilize project staging and phasing of metropolitan transportation plan recommendations to maximize funding availability and cash flow.

F3-005: Ensure that adequate funding is given to maintenance and operations of the existing multi-modal transportation system consistent with federal and/or state guidelines and recommendations.

F3-006: Pursue roadway and transit pricing opportunities to expedite project delivery.

F3-007: Pursue project cost reductions through value engineering, streamlined project development, and other activities.

F3-008: Pursue an increase in North Central Texas' share of state and federal allocated funds consistent with RTC legislative position.

F3-009: Pursue legislative actions aimed at increasing revenue through initiatives identified by the RTC.

F3-010: Leverage traditional and non-traditional transportation funding to expand services across the region.

F3-011: Utilize multiple funding sources, including innovative funding methods, in order to fully fund projects.

Financial Planning Process

The Metropolitan Planning Organization (MPO) recognizes that the region's transportation needs far exceed our ability to pay for the improvements. Likewise, federal planning regulations require that financial constraint is exercised in the metropolitan transportation plan (MTP). As a result, an iterative process was developed to balance funding between the major elements of the MTP based upon regional priorities. Through the process, mobility needs were identified based on the goals and objectives of the MTP and costs for projects and programs were estimated and summed. Independently, revenue sources were identified and projected through the plan horizon year of 2035. Available revenues were then allocated to an appropriate mode. It is important to note that not all sources of revenue for transportation improvements can be spent on all modes. This process was repeated until an acceptable level of service for each mode was reached based upon the financial resources available. *Exhibit 2.1* details the financial planning process for Mobility 2035.



Exhibit 2.1: Financial Planning Process

Costs

Cost estimations for projects and programs were developed in one of two ways. Direct costs were provided by the implementing agency for known individual projects, and unit costs were used to calculate total project costs where no specific cost was available. Costs for recommended programs and projects are reported in the appendices located at the end of this document.

Revenue Estimation

Traditionally, funds for implementing projects and programs have been estimated using a financial forecasting model that tracks historical transportation revenue from federal and state motor fuels taxes, state vehicle registration revenues, and other federal and state taxes which are used to fund transportation. The forecasting model provides an estimate of future revenues based upon historic trends. However, due to a number of factors, including recent economic downturn, insolvency of the Highway Trust Fund, rescissions, and increased fuel efficiency, this is no longer the preferred method to forecast future revenues. In addition to the factors previously mentioned, inconsistencies between financial forecasts used by the 25 Texas MPOs in development of their long-range transportation plans have created difficulties in formulating a statewide plan. To address the uncertainty of long-range forecasting and to ensure standard methods are used across the state, a workgroup with members from the Texas Association of MPOs and the Texas Department of Transportation was formed to create a financial model that would allow users to test various financial scenarios while keeping the forecasting methods consistent. The model created by this group is known as the *Transportation Revenue Estimation and Needs Determination System*, or TRENDS, and was validated by the Texas Transportation Institute. The TRENDS model was used to forecast state and federal funds for Mobility 2035. The financial forecasts for Mobility 2035 also include predicted revenue from the region’s toll and managed lane system and local funds, as well as the revenues from the region’s three transit authorities: Dallas Area Rapid Transit, Denton County Transportation Authority, and The Fort Worth Transportation Authority.

Revenue Scenarios

During the development of Mobility 2035 three revenue scenarios were considered. These scenarios illustrated possible financial conditions for the regional transportation system based upon potential actions taken or not taken by federal, state, or local governments. *Exhibit 2.2* provides details on the assumptions made under each scenario.

Status Quo Scenario

The Status Quo scenario represents a minimal level of investment that focuses on traditional transportation revenues as they exist today. Under this scenario, there would be no increase in fuel taxes, vehicle registration fees, and other sources over the next 25 years. This scenario would also include minimal use of toll roads,

managed lanes, and other innovative funding techniques. Approximately \$74.9 billion would be available to fund transportation projects in the region over the next 25 years.

Mobility 2035 Financial Scenario Assumptions			
Funding Strategies	Status Quo	Enhanced (Federal and State)	Enhanced + Local Option
State Fuel Tax (per gallon)	\$0.20 (existing)	+\$0.05 in 2020 & +\$0.05 in 2030	Same as Enhanced
State Fuel Tax Indexing	-	To Fuel Efficiency by 2015	Same as Enhanced
Federal Fuel Tax (per gallon)	\$0.184 (existing)	+\$0.05 in 2020 & +\$0.05 in 2030	Same as Enhanced
Average Vehicle Registration Fee	\$60 (existing)	Same as Status Quo	+\$10 in 2015 & +\$10 in 2025
Toll Roads, Managed Lanes, CDA, and PPP	Currently Funded Facilities	Same as Status Quo	Additional Facilities
Other Assumptions	-Regional Partners Continue to Implement Projects -Reliance on Local Entities to Fund Projects Locally	Same as Status Quo Plus: -End 80% of Diversions Incrementally by 2025 -Maintenance: TxDOT Addresses Pavement Conditions; MPO Funds Bridge Replacements	Same as Enhanced
Total Revenue (\$B)	\$74.9	\$86.4	\$101.1
Additional Revenue from Status Quo (\$B)		+\$11.5	+\$26.2

Exhibit 2.2: Mobility 2035 Financial Scenario Assumptions

Statewide Enhanced Scenario

The Statewide Enhanced scenario represents the financial conditions that would exist if taxes or fees for transportation were increased at the state or federal level. Under this scenario, the increased tax or fee would be applied at the state level and the Dallas-Fort Worth region would receive a portion of the generated funds back. Like the Status Quo, this scenario would include minimal use of toll roads, managed lanes, and other innovative funding techniques. Under this scenario, approximately \$86.4 billion would be available to fund transportation projects in the region between now and 2035.

Statewide Enhanced + Local Option Scenario

The Statewide Enhanced + Local Option scenario represents the most aggressive of the three funding options. In this scenario, the assumptions from the Statewide Enhanced scenario would be used with the addition of several local revenue initiatives. Local initiatives could be project based, like implementing a robust toll and managed lane system and/or they could be tax or fee based, like an increase in vehicle registration fees. The fees from the local revenue initiatives would only be assessed in the 12-county Metropolitan Planning Area and would be used to leverage additional funds for projects of high importance within the region. Under this scenario, it is estimated that \$101.1 billion would be generated to fund transportation improvements in the region over the next 25 years.

Mobility 2035 Selected Revenue Scenario

After evaluating historic trends, the current state of transportation funding, and the plausibility of future funding, the RTC selected the \$101.1 billion Statewide Enhanced + Local Option scenario to represent the financially constrained revenue forecast for Mobility 2035. This scenario is more than \$44 billion dollars less than the previous plan, Mobility 2030 – 2009 Amendment. *Exhibit 2.3* summarizes the major expenditure categories for Mobility 2035.

Mobility 2035 Expenditures	
Infrastructure Maintenance	\$27.3
Management and Operations Strategies	\$4.8
Growth, Development, and Land-Use Strategies	\$3.9
Public Transportation	\$18.9
Freeway, Tollway, HOV/Managed Lane, and Arterial System	\$46.2
Total (Actual \$, Billions)	\$101.1

Exhibit 2.3: Mobility 2035 Major Expenditures

Because financial projections that extend 25 years in the future is anything but certain, and because revenue is largely dependent on national, state, and local policies, Mobility 2035 contains a financial plan that forms the basis for ongoing financial planning based on funding sources that can reasonably be expected to be available for transportation uses. The following financial assumptions are utilized in Mobility 2035:

- Beginning in 2015, the state fuel tax will be indexed (adjusted annually) to fuel efficiency. Because fuel taxes are assessed on a per gallon basis, as vehicles become more efficient they consume less fuel. This decreases the amount of revenue available for transportation improvements. By indexing to fuel efficiency, existing revenues can be maintained into the future.
- Beginning in 2015, a \$10 local option vehicle registration or mobility fee will be assessed within the 12-county Metropolitan Planning Area boundary.
- In 2020, both state and federal fuel taxes will be increased by 5 cents each.
- In 2025, an additional \$10 local option vehicle registration or mobility fee will be assessed within the 12-county Metropolitan Planning Area boundary.
- By 2025, the state will have incrementally eliminated 80 percent of the diversions from the State Highway Fund. This does not include the portion of the gas tax that goes to fund education because this is protected by the state constitution.
- In 2030, both state and federal fuel taxes will be increased by 5 cents each.
- Over the life of the MTP, toll roads, managed lanes, comprehensive development agreements, public-private partnerships, and other innovative funding options will be used to implement projects.
- Over the life of the MTP, the state will address pavement conditions while the MPO will fund bridge replacements.
- Over the life of the MTP, regional transportation partners will continue to implement projects.
- Over the life of the MTP, there will be an increased reliance on local entities to fund projects locally.

Exhibit 2.4 provides a comparison between observed rates of change in taxes and fees used to fund transportation versus the assumptions made in Mobility 2035. As evident by the table, the revenue enhancements used in Mobility 2035 fall well within historical rates of change.

Exhibit 2.5 shows the breakdown of revenue sources for Mobility 2035. *Exhibit 2.6* illustrates the financial impacts of the previously mentioned assumptions compared to the Status Quo scenario.

Transportation Tax/Fee	Average Annual Growth Rate	
	Historic 1972 - 2010	Mobility 2035 2011 - 2035
State Fuel Tax	3.7%	1.7%
Federal Fuel Tax	4.1%	1.8%
Vehicle Registration Fee	2.8%	1.2%

Exhibit 2.4: Observed Growth Rates vs. Mobility 2035 Assumptions

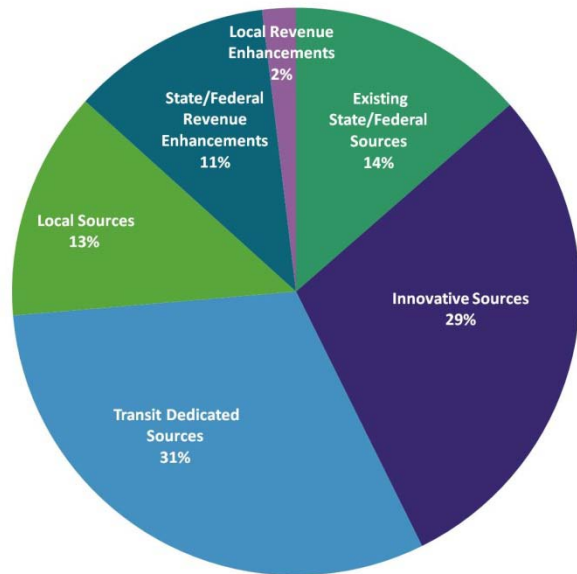


Exhibit 2.5: Mobility 2035 Revenue Sources

Revenue Initiatives

Demonstrating financial constraint does not tie Mobility 2035 to any specific revenue generation strategy. The financial assumptions contained within Mobility 2035 are merely an example of what could reasonably be expected to happen in the future. This allows for a more flexible approach to financial planning. However, while this approach is flexible, it puts an increasing burden on the RTC to monitor the financial situation of Mobility 2035 on a regular basis and to make adjustments accordingly. This is particularly true for traditional transportation funding sources like motor fuel taxes which are anticipated to decline over time. The RTC will continue to monitor state and federal initiatives regarding replacements for

traditional fuel tax revenues and will encourage the development of alternative funding options. It is important to note that the RTC's adoption of the Mobility 2035 financial scenario was done in conjunction with their legislative program. In addition to the RTC's current legislative program, it is proposed that the following strategies be acted upon to ensure the realization of projected revenue:

- Continue RTC/Transportation Commission Partnership Program to leverage available funding.
- Pursue innovative project financing using tools made available by state legislature.
- Pursue congestion pricing opportunities through managed facilities in specific corridors identified through planning studies.
- Decrease project costs through streamlining the project development and process value engineering initiatives.
- Continue to pursue legislative actions aimed at increasing revenue through additional initiatives identified by the RTC.
- Continue to pursue tollway development where feasible.

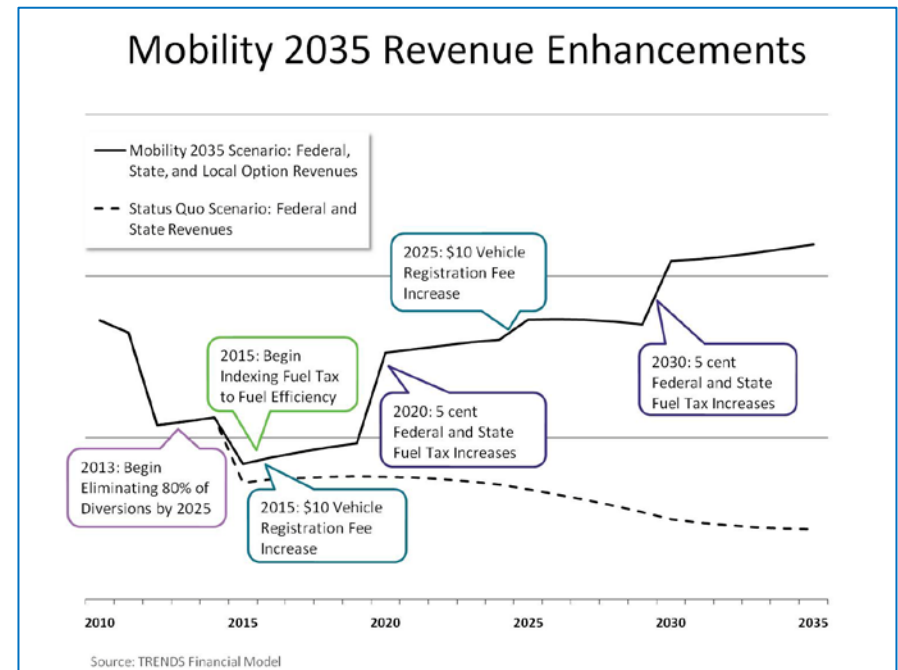


Exhibit 2.6: Impacts of Mobility 2035 Revenue Enhancements

The Region's Financial Reality

Despite the identification of \$101.1 billion in transportation improvements, the region will continue to fall substantially behind in its ability to keep pace with a growing population and the resulting congestion between now and 2035. As mentioned earlier, the region will need approximately \$395.3 billion to eliminate the worst levels of congestion between now and 2035. This represents a more than \$294 billion shortfall. And while \$101.1 billion is certainly a substantial investment, it's still over \$44 billion less than what the previous MTP identified. The reality is as time passes, the region's transportation needs will continue to grow, but the availability of funding to build and maintain the transportation system will likely shrink. The consequence of this is an uncertain future for our regional transportation system.

Summary

Mobility 2035 represents a \$101.1 billion blueprint for the continued maintenance and development of the regional transportation system over the next 20 plus years. Mobility 2035 complies with all federal requirements related to the financial aspects of the metropolitan transportation plan. *Exhibit 2.7* summarizes the anticipated revenues and expenditures for Mobility 2035. It is important to note that the source of funds for any given expenditure may change as projects develop. As the Dallas-Fort Worth region continues to grow, additional solutions will be imperative to comprehensively address the ever-increasing transportation needs.

Mobility 2035 Revenue and Expenditures	Roadway Maintenance, Operations, Rehab, Safety	Freeway/Tollway	HOV/Managed Facilities	Regional Arterial System	Other Arterials	Congestion Management	Air Quality and Environment	Bicycle/Pedestrian Facilities	Sustainable Development and Transportation Enhancements	Transit Operations, Maintenance	Rail Capital and Transit System Expansion	Bus Capital	Paratransit Capital	Total
<i>all values in millions values may not sum due to independent rounding</i>														
Commission Funds (cat 12)														\$0.0
NHS Corridor (cat 2)		\$286.2												\$286.2
STP-MM (cat 7)		\$1,042.1				\$382.1	\$312.6	\$193.0						\$1,929.9
CMAQ (cat 5)			\$76.1			\$393.1	\$589.7	\$152.4		\$2.2	\$299.1	\$11.2		\$1,523.8
Other TxDOT/Federal	\$6,469.1	\$1,532.7		\$6.9	\$6.1			\$466.8	\$156.7		\$69.1			\$8,707.4
Local Match	\$250.5	\$314.5	\$19.0			\$193.8	\$225.6	\$201.1		\$0.5	\$74.8	\$2.8		\$1,282.5
Toll System Revenue		\$16,496.4												\$16,496.4
CDA		\$7,841.2												\$7,841.2
Concession Payments	\$1.4	\$707.9	\$571.9	\$633.2	\$273.0	\$185.8		\$51.0			\$1.0			\$2,425.2
Transit Public Private Partnership (IFI)											\$2,664.3			\$2,664.3
Transit Sales Tax	\$396.0		\$127.1							\$10,917.6	\$6,907.7	\$1,132.4	\$11.4	\$19,492.2
FTA 5307 (formula)										\$1,775.6	\$214.5	\$192.3	\$12.5	\$2,194.9
FTA 5309 (capital)											\$761.7	\$82.4		\$844.0
Other Transit										\$4,439.7	\$4,288.3	\$65.7	\$0.5	\$8,794.2
Local	\$2,016.6			\$4,244.1	\$4,112.3	\$1,766.2	\$374.3	\$131.8	\$358.5		\$176.6			\$13,180.5
State/Federal Revenue Enhancements	\$1,060.3	\$6,857.4	\$852.9	\$172.9		\$414.9	\$1,728.8	\$299.7	\$138.3					\$11,525.1
Local Revenue Enhancements											\$1,934.7			\$1,934.7
Total	\$10,193.9	\$35,078.4	\$1,647.0	\$5,057.1	\$4,391.4	\$3,335.9	\$3,231.0	\$1,495.7	\$653.5	\$17,135.6	\$17,391.8	\$1,486.7	\$24.4	\$101,122.5

Exhibit 2.7: Mobility 2035 Revenues and Expenditures