Transportation Finance in Los Angeles County: An Overview

February 2013

Why Is It Important to Understand Transportation Finance?

In Los Angeles County, the popular narrative says that everyone drives all the time, and transportation policy has largely reflected this social understanding. However, active transportation modes are a significant form of mobility, calling into question the truth of the dominant narrative. As Los Angeles County implements state and regional policies to reduce greenhouse gas emissions, such as the Sustainable Communities Strategy from State Legislation SB 375, active transportation will play an even more important role in the transportation system, requiring additional investment to achieve regional objectives of clean air, healthy populations, reduced congestion, safe mobility options for all, and economic prosperity. As the County Transportation Commission, the Los Angeles County Metropolitan Transportation Authority (Metro) is the primary agency responsible for planning, funding, and operating a regional transportation system in which:

- 19 percent of all trips made in Los Angeles County are completed on foot or by bicycle (2009 National Household Travel Survey: 17.6 percent walking and 1.4 percent bicycling);
- 34 percent of Los Angeles County students walk and bicycle to school (2009 National Household Travel Survey); and
- 39 percent of Los Angeles County roadway fatalities are people walking and bicycling (SWITRS 2010);^1
- One percent (1%) of Metro’s funding is dedicated to pedestrian and bicycling projects (Metro LRTP 2009 p.15)

Research shows that when streets are designed for safe walking and biking, fewer people are injured and killed in automobile collisions and more people walk and bike. Designing streets safe for walking and biking entails building and maintaining a network of sidewalks, bikeways, and street crossings that create safe and comfortable walking and biking environments that connect to transit, commercial centers, schools, parks and other destinations. Further, streets safe for walking and biking are designed to reduce vehicle speeds. (IOM, 2009)

The Safe Routes to School National Partnership’s Southern California Network supports significantly increased funding for bicycle and pedestrian improvements in Los Angeles County to rectify the current disparity between the percentage of transportation dollars invested in active transportation projects

^1 The percent for 2010 is the highest in recent years. The percent of injuries and fatalities involving people walking and bicycling has generally been increasing since 2003.
and mode share (i.e. the percentage of trips made by a particular form of transportation) and injury rates. Increased funding should be used to make streets safer for bicycling and walking, promote active transportation, improve access to and from transit, and support the implementation of state and regional transportation policy goals.

We developed this overview to better understand the funding sources and opportunities that exist for pedestrian and bicycling projects and document the flow of current Los Angeles County transportation revenue streams.

**Los Angeles County Transportation Funding: Where Does It Come From?**

Metro has three main sources of transportation funding:

- Federal funding streams
- State funding streams
- Local sales taxes

These three sources comprise the majority of Metro’s annual $4.5-billion operating budget (FY 2013). Chart 1 depicts the breakdown of projected transportation revenue from local sales taxes and state and federal transportation funding sources. Out of these three sources of revenue, the largest proportion (67 percent) comes primarily from three voter-approved Los Angeles County half-cent sales taxes: Proposition A (1980), Proposition C (1990) and Measure R (2008). An additional quarter-cent sales tax from the Transportation Development Act (TDA) was enacted by the State in 1971, though this analysis and Metro classify it as a local revenue source. Propositions A and C and TDA do not expire, while Measure R lasts for 30 years.

**Chart 1: Revenue Sources as a Percent of Total Revenue Projected by Metro (2012 to 2021)**
State sales and excise taxes on motor vehicle fuel comprise the second largest funding source for Los Angeles County transportation projects (21 percent), providing funding for planning, capital investment, and operations.

Lastly, Metro relies on federal transportation funds for 12 percent of its revenue. These funds are primarily derived from the 18.4-cent federal gasoline tax. The legislation that governs this tax and its distribution to the states is commonly referred to as the federal transportation bill, currently MAP-21. While excise taxes on fuel play an important role in funding and maintaining transportation infrastructure, the federal rate was last raised in 1993 and is not indexed to inflation. Additionally, the dual trends of increasingly fuel-efficient cars and a per-capita decrease in vehicle-miles traveled have further decreased federal gas tax revenue, as well as state gas tax revenue.

In an environment of stable or declining federal transportation revenues, states, regions and localities will continue to bear the primary responsibility for transportation financing. Therefore, locally generated revenues are vital to sustaining and expanding our transportation system. For this reason we have focused our overview on the currently available local funding sources.

**Los Angeles County Transportation Funding: Where Does it Go?**

1) **Local Sales Tax Expenditures:** The revenue generated from local sales taxes plays a critical role in funding transportation in Los Angeles County. Table 1 presents a high-level breakdown of each of these funding sources.
Table 1: Allocation Requirements in Propositions A, C, Measure R and TDA

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Tax Rate</th>
<th>Local Return 2</th>
<th>Transit</th>
<th>Roads/Highways</th>
<th>Discretionary</th>
<th>Pedestrian/Bicycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition A</td>
<td>1/2 Cent</td>
<td>25%</td>
<td>35%</td>
<td>n/a</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Proposition C</td>
<td>1/2 Cent</td>
<td>20%</td>
<td>55%</td>
<td>25% - Transit Specific Highway Improvements</td>
<td>n/a</td>
<td>0%</td>
</tr>
<tr>
<td>Measure R</td>
<td>1/2 Cent</td>
<td>15%</td>
<td>65%</td>
<td>20%</td>
<td>n/a</td>
<td>0%</td>
</tr>
<tr>
<td>TDA</td>
<td>1/4 Cent</td>
<td>0%</td>
<td>98% (TDA Article 4, 8 which also included allocations for highways)</td>
<td>0%</td>
<td>n/a</td>
<td>2% (TDA Article 3 (15% of which goes directly to LA City and LA County for bike paths))</td>
</tr>
</tbody>
</table>

- Twenty five percent of Proposition A revenue is returned to local jurisdictions (cities and LA County) for transportation (“local return”). The remaining 75 percent is controlled by Metro, with 35 percent dedicated to rail projects and 40 percent allocated on a discretionary basis.

- Proposition C returns 20 percent to local jurisdictions. The remaining 80 percent stays with Metro, with 40 percent dedicated to construction and maintenance of bus and rail facilities, five percent allocated to enhanced bus and rail security, 10 percent earmarked for commuter rail needs and the final 25 percent designated for transit related improvements to freeways and highways.

- Measure R returns 15 percent to local jurisdictions. The remaining 85 percent is administered by Metro in the following manner: 35 percent for new rail and bus rapid transit, three percent for Metrolink, two percent for Metro rail system improvements, 20 percent for carpool lanes, highways and other highway related improvements, five percent for rail operations and 20 percent for bus operations. Currently, one city in Los Angeles County, Los Angeles, dedicates a minimum percentage (10 percent) of Measure R local return funding for bicycle and pedestrian projects.

- TDA revenue is the smallest of the local sales tax revenues; about half of what Los Angeles County receives from its voter-approved sales taxes. State law allocates two percent of TDA funds to pedestrian and bicycle projects. Out of the $314M in revenue this source generates for Los Angeles County, $6M is allocated to pedestrian and bicycle investments. Fifteen percent of the bicycle allocation is divided between LA County and City of LA for Class 1 bike paths, the

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2 Each city in LA County receives an allocation of the revenue from each sales tax based on its population size to be spent on local transportation expenses. Cities have sole authority to determine how to spend this funding based on their respective transportation needs.
remaining 85 percent is allocated to local jurisdictions by population for bicycle projects and programs. TDA is the only sales tax that has a set-aside for pedestrian and bicycle investments. The remainder of TDA funds goes toward Metro administration, transit and para-transit programs.

How Much Funding Is Spent on Bicycle and Pedestrian Projects in LA County?

1. Bicycle and Pedestrian Projects Built with State and Federal Transportation Funds.

Many cities in Los Angeles County obtain state and federal grants, such as Safe Routes to Schools (SRTS), Highway Safety Improvement Program (HSIP) or through Metro’s Call for Projects grant process to build transportation projects. Any transportation project that is funded partially or entirely with state or federal transportation funding must be included in the Transportation Improvement Program (TIP). The TIP is published yearly by Metro and contains a list of all transportation projects in Los Angeles County for which state, federal or regional funding has been (or will be) obtained. Therefore, the TIP has the potential to be an effective tool for calculating the amount of state and federal funding secured by local jurisdictions in LA County for bicycle and pedestrian projects.

In other words, it should be possible to determine the percentage of overall state and federal transportation funding being spent on active transportation projects in LA County by adding up all the funding for bicycle and pedestrian projects in the TIP in LA County (i.e. Safe Routes to School, Highways Safety Improvement Program (HSIP), etc). Despite the potential of this methodology, the current organization of the TIP regarding funding allocations makes analysis and tracking of funding sources and disbursements very difficult.

2. Call for Projects.

Metro allocates approximately 1.5 percent of its Long Range Transportation Plan (LRTP) to its biannual grant-making process known as the Call for Projects (CFP). The CFP matches projects from local jurisdictions to federal, state, and local funding sources allocated by transportation mode, including bicycle and pedestrian improvements. In the 2013 CFP, 15 percent is tentatively allocated to bicycle projects and seven percent to pedestrian projects. Therefore, 22 percent of a funding source that is 1.5 percent of Metro’s LRTP yields one-third of one percent (0.33%) for bicycle and pedestrian projects combined. CFP applications further require a local match, generally 20 to 35 percent of a project’s cost, which consumes resources that might otherwise be available for local bicycle and pedestrian projects (Metro 2012c).

3. Bicycle and Pedestrian Projects Built with Cities’ Transportation Funds

In addition to obtaining state and federal grants to construct pedestrian and bicycle improvements, cities may also use their “local return” funding from LA County’s three local sales taxes or their own city’s funds (general funds, developer fees, bond issues, etc.). Transportation projects that are funded with a city’s general funds are not required to be listed in the TIP; therefore it is more difficult to track what funding sources cities are using for pedestrian and bicycle investments.

Because of this challenge, we elected to interview staff from three cities in LA County to better understand how they fund active transportation: Culver City, Baldwin Park, and Santa Monica. None of these three cities contribute significant levels of city funding for bicycle and pedestrian projects, aside from local matches for state and federal transportation grants. Instead, these cities have relied on grant...

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3 Defined here as, funds that are generated at a city level and are capable of fully funding a project (i.e. not simply providing matching funds per the funders’ requirement).
money from the state, federal government, and through Metro’s Call for Projects, including from non-transportation sources. One example is Culver City’s partnership with the Baldwin Hills Conservancy to install bike lanes and sidewalks near the entrance to a State Park\(^4\). Derived from a variety of funding sources, Culver City typically limits its contributions to approximately 20 percent of the total cost of building bicycle and pedestrian improvements in order to satisfy the local match requirement required by state and federal grant programs.

To further understand city-level finance practices, we also examined the capital improvement programs of 13\(^5\) cities to specifically identify the funding sources for bicycle and pedestrian projects. Table 2 highlights the average amount of funding from local, state and federal sources that cities are currently using to implement bicycle and pedestrian projects. The cities on our final list represent a range of high and low-resourced cities. Our analysis of capital improvement program project lists for these 13 cities illustrates that:

- Cities are capable of funding only a small percentage of active transportation infrastructure through their local returns (from Propositions A and C and Measure R) and other city revenues (e.g. general funds, developer fees, and bond issues);
- Cities rely primarily on state and federal grant funding to build bicycle and pedestrian projects.
- The size (physical or financial) of a city has a significant effect on its capacity to obtain and invest significant levels of funding for bicycle and pedestrian infrastructure. High-resourced cities are better able to utilize higher tax receipts and other sources to leverage outside funding sources.
- Thus, even though cities receive an allocation of 67% of the transportation funds in LA County that come from local sales taxes, in none of the 13 cities highlighted in our research were local returns cities receiving sufficient revenue sources for bicycle or pedestrian projects.

\(^4\) Please see our blog post (at: http://saferoutescalifornia.wordpress.com/2012/10/03/spotlight-on-culver-city/) about the funding from a non-transportation state agency partner that Culver City received in 2012.

\(^5\) We began with a list of 24 cities - chosen because of their possession of bicycle or pedestrian master plans - and narrowed to 13 once all data was collected. Calculations were only made using information from cities that published all necessary data.
Table 2: Percent of Local versus State and Federal Funding Sources that Cities Use for Bicycle and Pedestrian Projects

<table>
<thead>
<tr>
<th></th>
<th>Bicycle and pedestrian project funding in city Capital Improvement Projects from State and Federal sources</th>
<th>Bicycle and pedestrian project funding in city Capital Improvement Projects from city sources (local returns and other city revenues)</th>
<th>Bicycle and pedestrian project funding in city Capital Improvement Projects from city revenues other than local return</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average across 13 cities</strong></td>
<td>90.14 %</td>
<td>9.86 %</td>
<td>4.70 %</td>
</tr>
<tr>
<td><strong>High Resourced Cities</strong></td>
<td>81.72 %</td>
<td>18.28 %</td>
<td>13.63 %</td>
</tr>
<tr>
<td>(Culver City, Santa Clarita, Santa Monica, South Pasadena, West Hollywood)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medium-High Resourced Cities</strong></td>
<td>83.05 %</td>
<td>16.95 %</td>
<td>3.92 %</td>
</tr>
<tr>
<td>(Burbank, Temple City, Pasadena, Whittier)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medium-Low Resource Cities</strong></td>
<td>95.81 %</td>
<td>4.19 %</td>
<td>1.23%</td>
</tr>
<tr>
<td>(City of Los Angeles, Lancaster, Long Beach)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Low Resourced City</strong></td>
<td>100 %</td>
<td>0.00 %</td>
<td>0.00%</td>
</tr>
<tr>
<td>(Huntington Park)</td>
<td></td>
<td></td>
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</tbody>
</table>

The calculations in Table 2 include city expenditures dedicated to large projects with bicycle or pedestrian components, regardless of what fraction the bicycle or pedestrian elements comprise in the larger project. Because of a lack of available data, we are unable to accurately calculate the cost of only the bicycle and pedestrian components and have chosen to include total project costs in our calculations. In addition, because the capital improvement lists that we drew data from included transportation and non-transportation projects, our analysis could result in an underestimate of percent of transportation dollars spent on bicycle and/or pedestrian projects.

We also want to point out that by only selecting cities that have a bicycle and/or pedestrian master plan, it is possible that we may be overestimating the percent of transportation dollars spent on pedestrian and bicycle improvements when compared to cities that do not have a pedestrian and/or bicycle plan.
Conclusion

Through the adoption of the Sustainable Communities Strategy, diverse stakeholders throughout Los Angeles County and the broader Southern California region identified the need for increased funding to create walkable and bike-able communities. Yet active transportation is currently funded far less than either its mode share or share of fatalities. Based on our findings, most cities do not have sufficient resources to fund active transportation projects at the level needed to achieve regional transportation objectives outlined in the Sustainable Communities Strategy. While sales tax revenues fund the largest percentage of transportation projects in LA County, competing demands prevent most cities from dedicating significant portions of their local returns to pedestrian and bicycle projects. Those cities that have been most successful in building streets safe for walking and bicycling have primarily relied upon state and federal grants. Widespread implementation of pedestrian and bicycle infrastructure across LA County to meet the goals of the Sustainable Communities Strategy will depend on developing new approaches to funding transportation projects.

How Can We Increase Funding for Pedestrian and Bicycle Investments?

Based on the previous analysis, we recommend increasing funding for active transportation to a level commensurate with mode share, fatality rates, and regional transportation objectives embodied in the Sustainable Communities Strategy. The following recommendations include changes to Metro’s policy and funding allocations to increase resources and technical assistance dedicated to walking and bicycling:

- As Metro embarks on the largest transportation capital program in Los Angeles County’s history, there is an incredible opportunity to leverage this investment by concurrently modernizing active transportation infrastructure within project areas. A “complete streets” (or “multimodal projects”) policy would require that any Metro-funded transportation project include bicycle and pedestrian improvements in the project scope. In the case of a transit project, this policy would develop a robust network of first/last-mile facilities to maximize the value of the transit investment. For freeway projects, this policy would help mitigate impacts on communities by repairing active transportation networks impacted by physical barriers and large volumes of high-speed traffic. Such an integrated approach would cost-effectively implement active transportation infrastructure at scale.

- Metro’s Call for Projects should increase allocations for bicycle and pedestrian modes and require that projects in other modal categories follow a “complete streets” policy (described above). The Call for Projects should also include planning criteria, such as existence of a bicycle, pedestrian and safe routes to school plan, to direct resources to those jurisdictions working to meet Sustainable Communities Strategy objectives. The Call for Projects should also include equity criteria, such as high injury/fatality rates, high rates of obesity and air quality related illnesses, low financial resources and low per-capita income.

- Given that the Call for Projects only accounts for less than 1.5 percent of Metro’s LRTP, Metro should explore creating a dedicated funding stream for bicycle and pedestrian projects from existing discretionary and highway sources, including the 40 percent Proposition A discretionary funding and 25 percent Proposition C allocation for highways.

- Prioritize local revenue sources for active transportation projects. Federal dollars are onerous for cities to use on all but the largest capital projects, adding disproportionate costs to
otherwise cost-effective projects. Metro should aim to have no federal dollars used on projects $1,000,000 or less. Federal dollars dedicated to active transportation should be targeted to regionally significant projects, such as Class 1 bike paths or large-scale streetscape rehabilitations, by jurisdictions with the technical capacity to satisfy federal requirements. Metro should allocate sufficient local revenue to meet demand for projects $1,000,000 or less.

- Create a Technical Assistance Program to support cities meeting eligibility criteria, such as high injury/fatality rates, high rates of obesity and air quality related illnesses, low financial resources and low per-capita income. Such a program would assist with creation of bicycle, pedestrian, and safe routes to school plans, identification of project lists and preparation of grant applications. The program could also provide financial assistance for local matches to state and federal funding sources.

- Create a project list of top 100 shovel ready active transportation projects across the County for inclusion in the 2016 Regional Transportation Plan and to prepare for potential future funding sources, such as state cap-and-trade funds.

- Create an Active Transportation Program to plan, finance, design, and construct regionally significant active transportation infrastructure. Such a division would operate in parallel to Metro’s Highways Program, with similar responsibilities. The Active Transportation Program would prioritize continuous networks that cross multiple jurisdictional boundaries.

- Establish performance criteria for the County’s transportation system including injury and fatality rates and mode share, with regular reporting. Metro should increase transparency by reporting spending on active transportation, which would require additional information to be included in the Transportation Improvement Program.

- Allocate funds for active transportation programming to support Education, Encouragement, Enforcement, and Evaluation activities. Metro-supported programs could include countywide bicycle and pedestrian safety education in schools and traffic diversion programs for adults, in addition to “bike to work” promotions and similar encouragement activities.

We offer the following recommendations to cities so they are better able to address roadway safety, more competitive when applying for grants, and better situated to take advantage of any increase in active transportation funding.

- Adopt local complete street policies. A local policy will help ensure routine roadway maintenance projects include bicycle and pedestrian improvements and any local funds spent on roadway projects provide improved pedestrian and bicycle connectivity. [http://www.smartgrowthamerica.org/complete-streets/complete-streets-fundamentals](http://www.smartgrowthamerica.org/complete-streets/complete-streets-fundamentals)


- Develop and adopt bicycle, pedestrian and/or Safe Route to School Plans to identify and prioritize projects for future grant opportunities. Prioritize areas with high rates of collisions and neighborhoods with a high percentage of residents who are transit dependent. Currently, two cities in Los Angeles County have adopted pedestrian master plans and one third of Los Angeles County jurisdictions have bicycle master plans.
• Use the California Statewide Integrated Traffic Records System (SWITRS), a data source on motorist, pedestrian and bicyclist injuries caused by vehicle collisions, to help prioritize pedestrian and bicycle streetscape projects (http://safetrec.berkeley.edu/tims/index.html).

• Include funding allocations for sidewalk improvements and the implementation of bikeways in any local bond or tax initiative for roadways or city transportation and infrastructure maintenance and operations.

• Continue to leverage local funds as a match for grant opportunities. Take advantage of planning and project grant funds available from the Federal Highway Administration, Caltrans, the Strategic Growth Council, the Southern California Association of Governments, Metro and related agencies.

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Resources


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