ONE great REGION

Atlanta Regional Commission

MTP/TIP Update – Fiscal Constraint Assumptions

Transportation Coordinating Committee

April 7, 2023

MTP/TIP Fiscal Constraint Requirements

- Projects must be fully funded through all phases of implementation
- Demonstration of fiscal constraint must be in “year of expenditure” dollars
- Revenues must be “reasonably available”
- Revenues at all levels (federal, state, local, private) must be constrained
- Assumptions must be vetted through the Interagency consultation process

FEDERAL FUNDING

Key Federal Funding Assumptions

- Baseline federal funding levels beyond 2026 (expiration of IIJA)
- Annual rate of federal funding increase beyond 2026
- Share of statewide apportionments available for projects in Atlanta region
- Availability of discretionary program funds
- Inflation rate for projects costs

Baseline Federal Funding (Decision)

- Use current IIJA apportionments as the baseline past 2026

COMPARISON TO CURRENT PLAN:
Significant increase versus reverting back to FAST Act baseline.

Annual Rate of Funding Increase (Considerations)

- Annual rate of federal funding increase beyond 2026

1.6%	2016 to 2021 Average Annual Increase	➡ ***The current 2050 MTP used a more conservative 1.4% annual long-term growth rate***
21.0%	2021 to 2022 Increase (IIJA)	
2.0%	2022 to 2023 Increase	

Total 2024-2050 apportionments using pre-IIJA baseline at 1.4% long-term growth = $48.0 billion

Total 2024-2050 apportionments using IIJA baseline at 1.4% long-term growth = $59.4 billion

Total 2024-2050 apportionments using IIJA baseline at 2.0% long-term growth = $62.4 billion

Annual Rate of Increase (Decision)

- Inflate federal revenue at 1.0% annually

COMPARISON TO CURRENT PLAN:
Although federal funding starts from a higher baseline, the rate of growth over time will be slower (and likely fail to keep pace with inflation).

Georgia Statewide FHWA Apportionments

	Georgia Apportionments (2024-2050)
2020 MTP Forecast	**$51.0 billion**
2024 MTP Forecast	**$56.6 billion**

NOTE: All figures are preliminary and may change as the analysis is refined and finalized.

Share of GA Apportionments (Considerations)

- For the past couple of planning cycles, ARC has used employment share as the basis for calculations due to the relationship to economic activity and travel demand characteristics
- The region's share of statewide employment is a few percentage points higher than the share of statewide population
- That approach may not be as reasonable due to changes caused by (or accelerated by) the pandemic
- Forecasts have been updated to reflect 2020 census, which show the region accounting for larger percentages of both population and employment than the last census
- Calculations must reflect the newly released 2020 urbanized area and an "educated guess" of a likely smaller MPO planning boundary

Share of GA Apportionments (Decision)

- Use a 50/50 combination of population and employment

	2020		2050
Avg. of Pop/Emp	55.4%	→	57.6%

NOTE: All figures are preliminary and may change as the analysis is refined and finalized.

COMPARISON TO CURRENT PLAN:
The Atlanta region will receive a slightly smaller share of the state's federal formula program funds.

Atlanta Region Share of FHWA Apportionments

	Georgia Apportionments (2024-2050)	Atlanta MPO Share (2024-2050)
2020 MTP Forecast	$51.0 billion	$31.2 billion
2024 MTP Forecast	$56.6 billion	$32.1 billion

NOTE: All figures are preliminary and may change as the analysis is refined and finalized.

Discretionary Program Funds (Considerations)

- The overwhelming majority of funding which would likely need to be reflected in the MTP/TIP would be from 56 USDOT programs

$59.5 Billion
Federal Railroad Administration
4 PROGRAMS

$43.4 Billion
Federal Highway Administration
29 PROGRAMS

$34.2 Billion
Federal Transit Administration
11 PROGRAMS

$43.3 Billion
Office of the Secretary
12 PROGRAMS

The Atlanta region comprises approximately 1.52% of the nation’s total 2020 population.
A “fair share” of these programs would net around $2.7 billion over the lifespan of IIJA.

Discretionary Program Funds (Decision)

- Due to extreme competitiveness and the lack of a solid track record in securing FHWA, FRA and Office of the Secretary discretionary funds, no assumptions will be made about these funds in the fiscal constraint analysis

- It is standard nationwide practice for assumptions to be made related to funding long-range transit expansion projects with assistance under the FTA Capital Investment Program, so a “fair share” estimate will be used in the fiscal constraint analysis

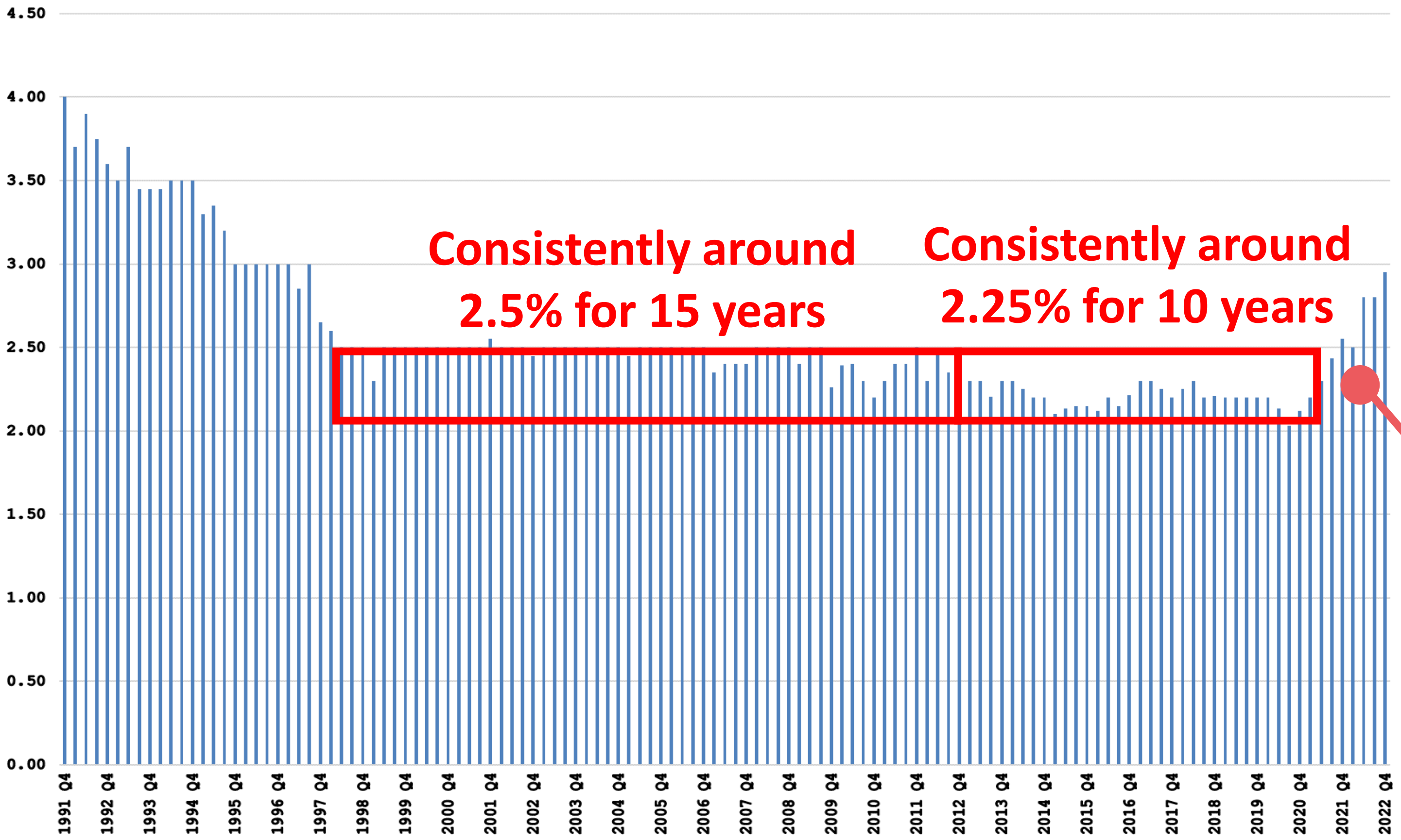
- The region’s transit operators have a proven track record in securing funds under other smaller programs, such as Bus and Bus Facilities, so some allowance can be made for those programs

COMPARISON TO CURRENT PLAN:
Consistent with current assumptions.

Inflation Rate (Considerations)

- All project costs within the TIP/STIP period are currently reflected in YOE dollars directly in the project list and are inflated at 2.5% annually (consistent with GDOT STIP methodology)
- Project costs beyond the TIP/STIP period are currently inflated at 2.2% annually using an aggregated “banding” methodology conducted separately from the published project list (documented in Appendix D of the MTP/TIP)

Inflation Rate (Considerations)



Annual average inflation rate forecasts over the next 10 years

Source: Philadelphia Federal Reserve

Short-term anomaly due to pandemic or start of a new longer-range trend?

Inflation Rate (Considerations)

- 2.2% may be underestimating inflation, particularly over the next 10 years, based on Philadelphia Federal Reserve forecasts
- Everything else being equal, increasing the inflation rate will reduce the number of projects which can be included in the long-range portion of the plan (e.g., a $100M project in 2023 will cost $155M in 2043 if inflated at 2.2% annually, $164M at 2.5% and $181M at 3.0%, potentially a reduction of over 17% in purchasing capacity)
- Forecasts from 1997 to 2022 consistently hovered in the 2.1% to 2.5% range
- Rate should be consistent with GDOT STIP. If ARC went with a rate higher than 2.5%, it would create a disconnect **or** require GDOT to undertake a comprehensive rebalancing of the STIP (could not be completed on a timeline necessary for the MTP update)

Annual Inflation (Decision)

- Inflate project costs at 2.5% annually

COMPARISON TO CURRENT PLAN:
Existing project costs in the long-range portion of the plan will be more expensive to implement, further eroding the IIJA revenue baseline funding increase

STATE FUNDING

State Funding (Considerations)

- Establishing a motor fuels revenue trendline from historic data is challenging
  - HB 170 altered the tax structure in 2015
  - COVID disrupted travel patterns beginning in 2020
  - Tax was suspended for nine months in 2022
- Anticipating a future motor fuels tax revenue trendline is also complicated
  - Long-term travel behavior changes as a result of increased remote working
  - Conversion from gasoline powered vehicles to other fuels, especially electric

State Funding (Considerations)

- Lodging fees
  - Dipped in 2020 and 2021, but 2022 collections were well ahead of 2019
  - Collections increased an average of 2.5% between 2017 and 2022
  - Atlanta region has approximately 63% of the state's hotel rooms
- Other fees
  - Heavy vehicle impact fee collections have experienced steady and rapid growth since 2018, averaging about 13% annually
  - Alternative fuel vehicle registration collections have been negligible, averaging less than $1M annually, but are poised for rapid growth in future years (will offset motor fuels tax revenue losses to some extent)
- General funds
  - Highly variable

State Funding (Decisions)

- Assume that a revenue stream equivalent to the current motor fuel tax will be implemented in conjunction with the conversion to electric powered vehicles (alternative fuel vehicle registration fees; tax per kwH; VMT tax)
- Forecast motor fuel revenue using 2019 baseline, grown at annual average of 2.6% (rate of increase from 2016 to 2019)
- Forecast lodging fees using recent trendline, growth at annual average of 2.5%
- General fund contributions TBD

LOCAL FUNDING

Local Funding (Considerations and Decisions)

- SPLOSTs
  - Taxes currently in effect will continue through the life of the plan
  - We have excellent historic data back to 2007 and revenue has grown at an annual average of 3.26% over that period (analysis reflects only jurisdictions with a consistent history of imposing taxes); will use that rate in forecasts
  - Must account for a reduced MPO boundary
  - Current SPLOSTs dedicate 50.6% of revenue to transportation purposes (assume this will continue)
- TSPLOSTS
  - Taxes currently in effect will continue through the life of the plan
  - Assume the same 3.26% annual increase
  - No assumptions made about additional jurisdictions imposing TSPLOSTs

Local Funding (Considerations and Decisions)

- City and county general funds (TBD)
- MARTA sales tax
  - Similar assumptions as SPLOST and TSPLOST collections
  - No new jurisdictions assumed to join MARTA system
- Other MARTA revenues (TBD)
- Other transit operator revenues (TBD)
- CID collections (TBD)

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