

Discussion Memo

Background

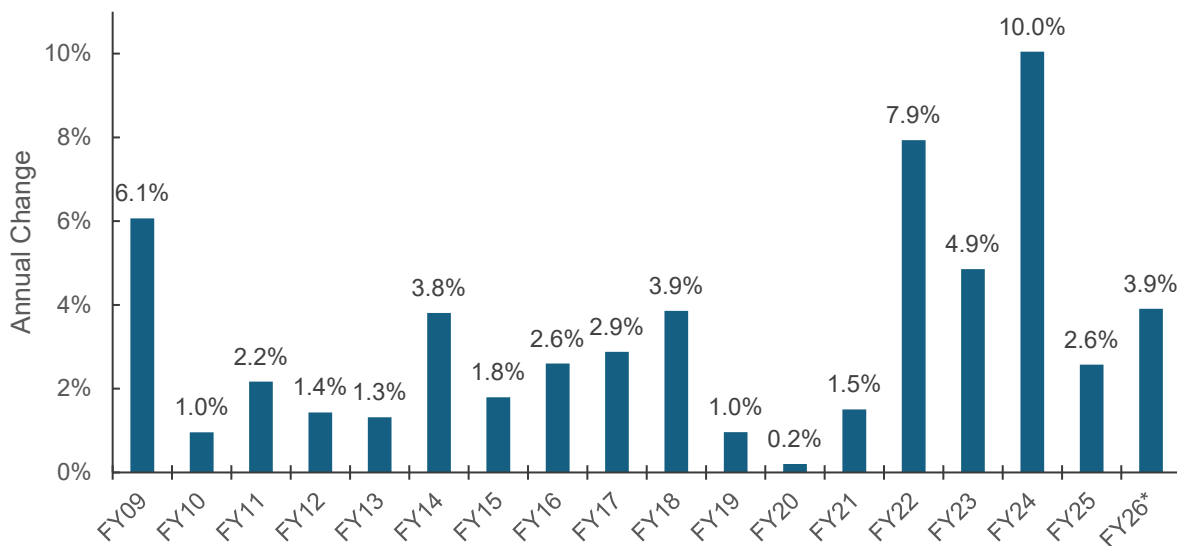
The RTCIP has been implemented in the San Diego region since July 1, 2008. Annual RTCIP fee adjustments, funding program reports, and related audits can be found on the [RTCIP page of the SANDAG website](#). Relevant policy excerpts can be referenced in the TransNet Ordinance and SANDAG [Board Policy No. 031: TransNet Ordinance and Expenditure Plan Rules](#).

Construction Cost Increases

SANDAG staff evaluated changes recorded in the ENR Construction Cost Index for Los Angeles (ENR CCI-LA).¹ The index is based on monthly price changes in four areas: lumber, cement, structural steel, and labor. It helps track construction cost fluctuations over time.

Chart 1 shows annual increases in the ENR CCI-LA since FY 2009. For over a decade (from FY 2010 through FY 2021), construction costs rose by less than 4% per year. FY 2022 marked the first sharp rise in costs (7.9%) and was followed by two more years of strong cost increase (4.9% in FY 2023 and 10% in FY 2024). The data available for FY 2025 and FY 2026 show an abrupt drop in cost growth. Construction costs averaged 2.62% in FY 2025. Data for the first four months of FY 2026 (July to October 2025) shows a 3.9% increase over the same four months in the preceding fiscal year. The slower growth is a welcome change. It suggests that construction costs continue to feel upward pressure but are rising at a slower rate than general inflation.

**Chart 1. Engineering New-Record Construction Cost Index -
Los Angeles: Average Fiscal Year Change**
*FY 2026 reflect a partial year from July-October



¹ ENR produces construction cost indices for 20 US cities. SANDAG uses the Los Angeles index as the closest approximation of construction cost trends for the San Diego region.

RTCIP Fee Increase Recommendation

Each year, SANDAG recommends an increase in the RTCIP fee as required by the Ordinance. Staff typically bring this recommendation to the Independent Taxpayer Oversight Committee (ITOC) in February. The approved fee increase takes effect at the start of the new fiscal year (July 1).

Fee increases are intended to preserve purchasing power. Chart 2 compares the annual increases for the RTCIP fee to CCI. Between FY 2009 and FY 2025, construction costs rose by more than 2% in nine years and by less than 2% in seven years. However, the RTCIP fee itself has exceeded the 2%-minimum only four times since FY 2009:

- 2.5% in FY 2016,
- 3.3% in FY 2019,
- 4.9% in FY 2025, and
- 6% in FY 2026.

Note, CCI data for FY 2026 is not complete. However, the first four months are tracking around 3.9% higher than in the same four months of the previous year.

Chart 2. Annual Increases: RTCIP Fee and CCI
 *CCI for FY26 reflects a partial year from July-October

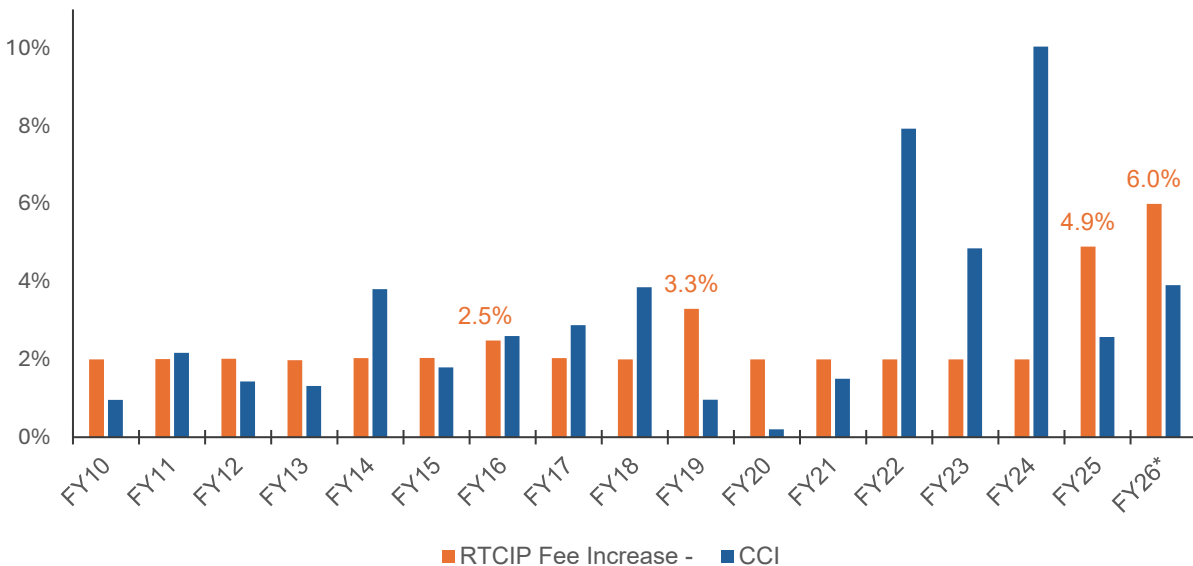


Chart 3 shows RTCIP fees and annual increases since FY 2009. FY 2025 and FY 2026 represent the largest annual adjustments to date, responding to several consecutive years of sizable construction cost increases. Between FY 2021 and FY 2024, construction costs rose by 25%, while the RTCIP fee grew by only 6%, creating a noticeable gap. The FY 2025 and FY 2026 fee increases helped to close this gap.

Chart 3. RTCIP Fee and Annual Increases

	RTCIP Fee	Incremental Increase (\$)	RTCIP % increase	CCI Increase
FY 2009	\$ 2,000.00	\$ -	0.0%	6.1%
FY 2010	\$ 2,040.00	\$ 40.00	2.0%	1.0%
FY 2011	\$ 2,081.00	\$ 41.00	2.0%	2.2%
FY 2012	\$ 2,123.00	\$ 42.00	2.0%	1.4%
FY 2013	\$ 2,165.00	\$ 42.00	2.0%	1.3%
FY 2014	\$ 2,209.00	\$ 44.00	2.0%	3.8%
FY 2015	\$ 2,254.00	\$ 45.00	2.0%	1.8%
FY 2016	\$ 2,310.00	\$ 56.00	2.5%	2.6%
FY 2017	\$ 2,357.00	\$ 47.00	2.0%	2.9%
FY 2018	\$ 2,404.14	\$ 47.14	2.0%	3.9%
FY 2019	\$ 2,483.48	\$ 79.34	3.3%	1.0%
FY 2020	\$ 2,533.15	\$ 49.67	2.0%	0.2%
FY 2021	\$ 2,583.82	\$ 50.67	2.0%	1.5%
FY 2022	\$ 2,635.50	\$ 51.68	2.0%	7.9%
FY 2023	\$ 2,688.21	\$ 52.71	2.0%	4.9%
FY 2024	\$ 2,741.97	\$ 53.76	2.0%	10.0%
FY 2025	\$ 2,875.06	\$ 133.09	4.9%	2.6%
FY 2026	\$ 3,047.57	\$ 230.01	6.0%	3.9%*
<i>FY 2027 (recommended)</i>	<i>\$3109.88</i>	<i>\$60.98</i>	<i>2.0%</i>	
*CCI increase for FY26 reflects only July through October data.				

Staff Recommendation

In light of the economic uncertainty – particularly given the rapidly evolving trade policy that is impacting the supply chain for construction materials – staff recommend a 2% increase (equivalent to \$60.98) to the RTCIP fee for FY 2027. This proposed increase is a return to the 2% minimum allowed by the Ordinance. Chart 4 illustrates that the recommended increase allows the RTCIP fee to continue to close the gap between rising construction costs and the purchasing power of the RTCIP fee. At the same time, it is striking a balance between two objectives – reducing the risk of further erosion in the RTCIP’s purchasing power and ensuring continued investment in critical transportation infrastructure, while simultaneously recognizing the challenges of housing affordability in the region.

Chart 4. CCI and RTCIP Growth Since FY 2009

***Based on four six months of FY 2026**

****Based on recommendation for FY 2027**

