

# TRANSPORTATION

The Transportation Agency is responsible for developing and coordinating the policies and programs of the state's transportation entities to improve the mobility, safety, and environmental sustainability of the state's transportation system. The Agency consists of the following six state entities:

- Department of Transportation (Caltrans)
- California Transportation Commission
- High-Speed Rail Authority
- Department of Motor Vehicles
- California Highway Patrol
- Board of Pilot Commissioners

The Office of Traffic Safety operates within the Office of the Secretary for Transportation and the New Motor Vehicle Board operates within the Department of Motor Vehicles. The transportation area also includes the State Transit Assistance item, which supports local transit operators.

The Budget includes total funding of \$16.2 billion for all programs administered within the Agency. In addition, the Shared Revenues budget in the General Government

area allocates over \$1.4 billion in fuel excise tax to cities and counties for local streets and roads.

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### **TRANSPORTATION INFRASTRUCTURE**

California has a vast state transportation infrastructure, which includes 50,000 lane miles of state and federal highways, 304,000 miles of locally owned roads, operation of three of the top five Amtrak intercity rail services in the nation (nearly 900 miles of track), and numerous transit systems operated by 180 local transit agencies. Efficient operation of this vast network is a key component of the state's continued economic growth. The state's transportation infrastructure serves a large portion of the country's trade, with nearly 20 percent of the goods imported to the United States moving through California ports, highways, and railways.

The repair, maintenance, and efficient operation of the state's highway system are vital to California's economic growth. In addition, a recent transportation study found that Californians spend on average \$762 annually on vehicle repair costs due to poorly maintained roads. However, state funding has fallen dramatically below the levels needed to maintain the system. Annual maintenance and repair needs on the state's highway system are significantly more than can be funded within existing resources, with a current identified funding gap of almost \$6 billion annually.

To address these needs, the Legislature has convened a conference committee as part of the transportation special session and that work continues toward delivering a comprehensive transportation funding plan to address decades of deferred maintenance on state and local transportation facilities. The Administration remains hopeful the conference committee will adopt a funding package in 2016 that addresses the state's most urgent transportation needs and reflects the following principles:

- Focusing new revenue primarily on "fix-it-first" investments to repair neighborhood roads and state highways and bridges.
- Making key investments in trade corridors to support continued economic growth and implementing a sustainable freight strategy.
- Providing funding to match locally generated funds for high-priority transportation projects.

- Continuing measures to improve performance, accountability and efficiency at Caltrans.
- Investing in passenger rail and public transit modernization and improvement.
- Avoiding an impact on the precariously balanced General Fund.

As such, the Budget reflects the Governor’s transportation funding and reform package, including reforms first outlined in September 2015. The package includes a combination of new revenues, additional investments of Cap and Trade auction proceeds, accelerated loan repayments, Caltrans efficiencies and streamlined project delivery, accountability measures, and constitutional protections for the new revenues.

The Governor’s package of revenues will be split evenly between state and local transportation priorities. The ten-year funding plan will provide a total of \$36 billion for transportation with an emphasis on repairing and maintaining the existing transportation infrastructure. It also includes a significant investment in public transit. Specifically, the proposal includes annualized resources as follows:

- Road Improvement Charge—\$2 billion from a new \$65 fee on all vehicles, including hybrids and electrics.
- Stabilize Gasoline Excise Tax—\$500 million by setting the gasoline excise tax beginning in 2017-18 at the historical average of 18 cents and eliminating the current annual adjustments. The broader gasoline tax would then be adjusted annually for inflation to maintain purchasing power.
- Diesel Excise Tax—\$500 million from an 11-cent increase in the diesel excise tax beginning in 2017-18. This tax would also be adjusted annually for inflation to maintain purchasing power.
- Cap and Trade—\$500 million in additional cap and trade proceeds.
- Caltrans Efficiencies—\$100 million in cost-saving reforms.

Additionally, the Budget includes a General Fund commitment to transportation by accelerating \$879 million in loan repayments over the next four years. These funds will support additional investments in the Transit and Intercity Rail Capital Program, trade corridor improvements, and repairs on local roads and the state highway system. Without this commitment, these funds would be paid back over the next 20 years.

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Over the next ten years, the \$36 billion transportation package will provide \$16.2 billion for highway repairs and maintenance, and invest \$2.3 billion in the state's trade corridors. Local roads will receive more than \$13.5 billion in new funding. Transit and intercity rail will receive over \$4 billion in additional funding. Because the state's disadvantaged communities are often located in areas affected by poor air quality, a minimum of \$2 billion (50 percent) of these funds will be spent on projects that benefit these communities.

### 2016-17 SPENDING

For 2016-17, the Budget reflects partial first-year resources from the transportation package of over \$1.7 billion (including nearly \$1.6 billion from new revenues and \$173 million from loan repayments), which will be distributed as follows:

- Local Streets and Roads—An increase of \$342 million in Shared Revenues to be allocated by the Controller to cities and counties for local road maintenance according to existing statutory formulas. The Budget also includes an additional \$148 million from loan repayments to reimburse cities and counties for funds already spent on Traffic Congestion Relief Program projects.
- Low Carbon Road Program—\$100 million Cap and Trade for Caltrans to implement a new Low Carbon Road Program for local projects that encourage active transportation such as bicycling and walking, and other carbon-reducing road investments, with at least 50 percent of the funds directed to benefit disadvantaged communities.
- Transit and Intercity Rail Capital Program—An increase of \$409 million Cap and Trade (also includes \$9 million from loan repayments) for transit capital investments that provide greenhouse gas reductions, with at least 50 percent of the funds directed to benefit disadvantaged communities.
- Highway Repairs and Maintenance—An increase of \$515 million (\$5 million from loan repayments) for Caltrans to fund repairs and maintenance on the state highway system.
- Trade Corridor Improvements—An increase of \$211 million (\$11 million from loan repayments) for Caltrans to fund projects along the state's major trade corridors, providing ongoing funding for a program originally established with \$2 billion in one-time Proposition 1B bond funding.

See Figure TRN-01 for totals by investment category for 2016-17 as well as anticipated annualized expenditures.

Figure TRN-01  
**Governor's Transportation Package**  
(Dollars in Millions)

<i>Investment Category</i>	<i>Program</i>	<i>2016-17 Amount</i>	<i>Annualized Amount<sup>3</sup></i>
Local Streets and Roads	Low Carbon Road Program	\$100	\$100
	Local Road Maintenance & Repairs <sup>1</sup>	\$490	\$1,010
	Local Partnership Grants <sup>2</sup>	\$0	\$250
Transit	Transit Capital <sup>1</sup>	\$409	\$400
State Highway Repair and Maintenance	Pavement <sup>1</sup>	\$220	\$900
	Bridges and Culverts	\$155	\$500
	Traffic Management Systems	\$20	\$90
	Maintenance	\$120	\$120
Trade Corridors	Improved Goods Movement <sup>1</sup>	\$211	\$200
<b>Total</b>		<b>\$1,725</b>	<b>\$3,570</b>

<sup>1</sup> The 2016-17 totals include anticipated loan repayments.

<sup>2</sup> Provides up to \$250 million per year beginning in 2017-18.

<sup>3</sup> Excludes one-time loan repayments totaling \$879 million.

## PROJECT REFORMS AND CALTRANS EFFICIENCIES

The transportation package also includes the following reforms and efficiencies at Caltrans to streamline project delivery and advance projects more quickly:

- State Highway Performance Plan—Establish measurable targets for improvement including regular reporting to California Transportation Commission, the Legislature, and the public.
- Streamlined Project Delivery—Provide a limited California Environmental Quality Act (CEQA) exemption; remove the sunset date for the federal delegation of environmental reviews so they can be completed concurrent with the state review; advance project environmental mitigation to get early buy-in on activities and reduce late challenges that delay projects; and implement more innovative procurement methods, such as combining design and construction management elements to accelerate project delivery, commonly known as Construction Manager/General Contractor (CMGC) procurements.

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- Staffing Flexibility—Permit Caltrans to deliver projects funded with new revenue by doubling contract staff over the next five years.
- Extend Public-Private Partnership Authority—Allow for these partnerships through 2027 by extending the current sunset date by ten years.

### IMPROVING PERFORMANCE

The transportation package will improve performance of California’s transportation system. A ten-year investment of the increased funding on state highways, bridges, and culverts—totaling over \$16 billion—will achieve measurable improvements for the state’s network as outlined in Figure TRN-02. Across these categories, new funding directed to preventative maintenance would save up to \$5.8 billion in higher future costs.

Figure TRN-02

#### Ten-Year Highway Condition With and Without the Governor's Transportation Package

Asset	Performance Target	Without New Investment	With New Investment
<b>Pavement</b> (50,000 lane miles)	90% Good Pavement	47% of pavement either needing preventative maintenance (30%) or already distressed (17%)	Additional 10,000 lane miles receive preventative maintenance and additional 3,000 lane miles rehabilitated, resulting in 90% good, not distressed
<b>Bridges</b> (13,100 bridges)	95% Good Condition	Distressed bridges increase by 90 bridges to 654 bridges	Additional 164 distressed bridges fixed, plus more functionally deficient bridges fixed, 200 more bridges repaired overall
<b>Culverts</b> (205,000 culverts)	80% Good Condition	78,000 culverts in poor or fair condition or 38%	37,000 additional culverts fixed, resulting in 80% in good condition
<b>Traffic Management Systems (TMS)</b> (48,850 elements)	90% Good Condition	10,000 TMS elements that are inoperable representing 20% of ramp meters, cameras, changeable message signs, and loop detectors	Additional 5,000 TMS elements fixed or rehabilitated, resulting in 90% in good condition
<b>Maintenance</b> (assets identified above)	90% - 95% Good Condition	Graffiti, litter, pothole repairs, and other indicators do not achieve performance targets	Pothole repairs, seal cracks, graffiti/ litter removal, and other indicators achieve performance targets at least 90% meeting the good performance target

## DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The Budget proposes \$1.1 billion, mostly from non-General Fund sources, and 8,324 positions to support DMV operations.

Significant Adjustments:

- Road Improvement Charge Billing—\$170,000 for DMV staff to make system changes to allow for the collection of the new Road Improvement Charge as part of the transportation package.
- Self-Service Terminals—\$8 million to expand DMV’s existing network of self-service terminals to increase public accessibility and provide additional transaction options. This is part of DMV’s continuing effort to identify opportunities for providing greater convenience, at reduced costs, while managing current and future workload demands.
- New Motor Voter Program—\$3.9 million General Fund to create an automatic voter registration process that is integrated with DMV’s driver license application and renewal process. The California New Motor Voter Program, authorized by Chapter 729, Statutes of 2015 (AB 1461), is intended to increase the number of registered voters in the state by automatically registering eligible individuals to vote when applying for or renewing a driver license unless the individual opts out.
- Green Decal Program—The “green decal” statutory cap of 85,000 was met in December 2015. This program allows transitional and partial zero-emission vehicle use of High Occupancy Vehicle (HOV) lanes as single-occupant vehicles. The Administration will propose trailer bill language to extend this program.

### MOTOR VEHICLE ACCOUNT FEE INCREASE

The Motor Vehicle Account is the primary funding source for DMV and the California Highway Patrol (CHP). The Motor Vehicle Account receives an average of \$3.4 billion in revenues, primarily from annual vehicle registrations (\$2.3 billion) and driver license, identification cards, and other fees (\$1.1 billion). Over the next five years, annual expenditures are projected to be \$3.9 billion from the Account. The CHP will spend an average of about \$2.5 billion out of the Account, DMV about \$1.2 billion, and the Air Resources Board and other departments spend the remaining \$200 million. Therefore, the Account has an annual shortfall of about \$500 million.

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Absent a fee increase, significant budgetary cuts would need to be made to the departments that spend out of the Account, such as reductions in the number of officers patrolling the state highways or closures of DMV field offices. To avoid these types of cuts, the Budget includes a \$10 increase in the vehicle registration fee to address this imbalance between operating costs and available revenues.