

# 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 California's transportation system. The Department of Transportation (Caltrans) designs and oversees the construction of state highways, operates and maintains the highway system, operates three intercity passenger rail routes (nearly 900 miles of track), and provides funding for local transportation projects. Caltrans maintains 50,000 lane miles of state and federal highways and nearly 13,000 state-owned bridges, and inspects more than 400 public-use and special-use airports and heliports.

California continues to face considerable challenges in funding critical maintenance and repair of its core transportation infrastructure—state highways, local roads, and bridges. Over the last decade, transportation funding has been directed primarily to decreasing traffic congestion, expediting goods movement, funding local streets and roads projects, and increasing transit facilities. While the repair, maintenance, and efficient operation of the state's highway system are important to California's continued economic growth, current resources do not sufficiently fund the system's annual maintenance and repair needs. Of the \$8 billion in annual highway repair needs, the current fuel excise tax revenues are only sufficient to fund \$2.3 billion, leaving \$5.7 billion in unfunded repairs each year based on recent assessments of the state's deferred maintenance.

The Governor's Budget outlined a package of additional funding for state and local transportation priorities along with key program reforms. The package includes a combination of new revenues, additional investments of Cap and Trade auction

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proceeds, accelerated loan repayments, Caltrans efficiencies and streamlined project delivery, accountability measures, and constitutional protections for the new revenues. The proposed new revenues are split evenly between state and local transportation priorities, and the ten-year funding plan provides a total of \$36 billion for transportation with an emphasis on a “fix-it first” strategy that focuses on repairing and maintaining the existing transportation infrastructure. It also includes significant investments 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.
- Accelerated Loan Repayments—\$879 million in loan repayments over the next four years to be used for the Transit and Intercity Rail Capital Program, trade corridor improvements, and repairs on local roads and the state highway system. The Legislature has already adopted the first year’s repayment of \$173 million.

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 transit and rail funds will be spent on projects that benefit these communities.

In addition to accelerated loan repayments of \$173 million already adopted by the Legislature, the Governor’s Budget reflected partial first-year resources from the transportation package of nearly \$1.6 billion, 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.
- 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 \$400 million Cap and Trade 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 \$510 million for Caltrans to fund repairs and maintenance on the state highway system.
- Trade Corridor Improvements—An increase of \$200 million 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. Trade corridors will also receive additional federal funding as described below as part of the May Revision.

In addition to new funding, the Governor’s transportation funding package includes language that would eliminate unpredictable fluctuations in fuel tax revenues that have occurred in recent years. These changes in revenue make it difficult to plan transportation projects at both the state and local level. Due to these fluctuations, the California Transportation Commission and local governments are currently faced with the difficult task of identifying over \$750 million in transportation projects to be defunded before the end of the fiscal year.

### **MAY REVISION PROPOSAL**

The May Revision reflects the availability of federal funds that would provide additional funding for trade corridor improvements over the next five years.

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- Fixing America’s Surface Transportation Act—The new Fixing America’s Surface Transportation (FAST) Act provides a five-year federal authorization of highway, transit, safety, and rail programs. The FAST Act allocates \$582 million over the five years to California through the new National Highway Freight Program funding formula. Additionally, California is eligible to receive a portion of \$900 million annually for Fostering Advancements in Shipping and Transportation of the Long-term Achievement of National Efficiencies (FASTLANE) competitive grants. FASTLANE grants can be applied to up to 60 percent of Nationally Significant Freight and Highway Projects program costs, with the remaining funds from state, local, or other federal funding sources. The May Revision includes provisional language which makes other state and federal funding available as a match for the remaining 40 percent. Caltrans proposes expending the formula funding pursuant to the Trade Corridor Improvement Fund Guidelines. The California Transportation Commission will allocate half of the funding to corridor-based projects proposed by local agencies and half to projects of statewide significance proposed by Caltrans.