

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 (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 (Agency) and the New Motor Vehicle Board operates within the Department of Motor Vehicles.

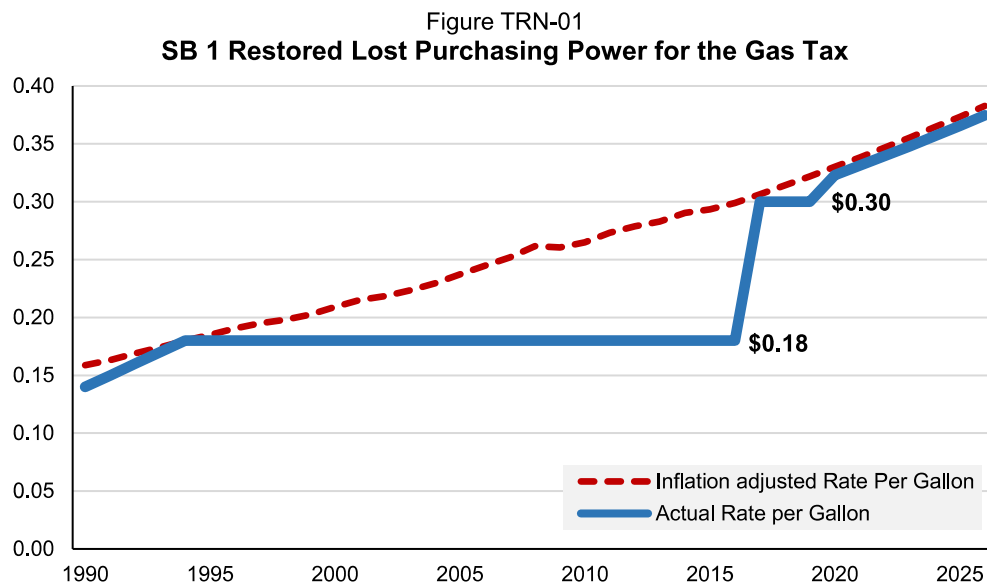
The Budget includes total funding of \$18.7 billion for all programs administered within the Agency. In addition, the Shared Revenues budget in the General Government area allocates over \$2.7 billion in fuel excise tax to cities and counties for local streets and roads (including \$1.2 billion from SB 1, the Road Repair and Accountability Act of 2017).

THE ROAD REPAIR AND ACCOUNTABILITY ACT OF 2017

The repair, maintenance, and efficient operation of the state’s transportation system are vital to California’s economic growth. In recent decades, state and local transportation funding fell dramatically below the levels needed to maintain the system. Studies found that Californians were spending on average \$762 annually for vehicle repair costs due to our poorly maintained roads. California continues to be among the top five states with the longest commute duration.

The fuel tax, a highway user fee dedicated to transportation, is how federal, state, and local governments have traditionally funded California's highways and roads. The federal government has not raised the federal gas tax rate in nearly 25 years, leaving the federal Highway Trust Fund nearly insolvent and roads, bridges, and transit systems across the nation in aged and poor condition. In response, the Legislature passed the Road Repair and Accountability Act of 2017, enacted by Chapter 5, Statutes of 2017 (SB 1), which provides stable, long-term funding for both state and local transportation infrastructure priorities. In doing this, California joined 25 other states that have all passed fuel taxes, vehicle fees, or other transportation-related fees since 2013 to fix roads and bridges in their states.

Like these other states, California was facing the reality that inflation had significantly eroded its purchasing power since the gas tax was last raised in 1994 (see Figure TRN-01). In addition to increased construction and repair costs, gas tax revenues have stagnated as vehicles have become more fuel efficient. These factors taken together left states with a significant shortfall in the resources needed to maintain and improve state and local transportation systems.



SB 1 invests more than \$5 billion per year in highway, bridge, road, and transit improvements.

With voter approval of ACA 5 on the June ballot, all SB 1 revenues will be constitutionally dedicated to transportation. SB 1 includes strong oversight and efficiency requirements so that funds provide the intended results, including a new independent transportation Inspector General.

Over the next decade, the \$55 billion transportation package will provide \$15 billion for state highway repairs and maintenance, \$4 billion in state bridge repairs, \$3.3 billion for state trade corridors, and \$2.5 billion for the state's most congested commute corridors. Local roads will receive more than \$15 billion in new funding for maintenance and repairs and \$2 billion in matching funds for local partnership projects. Transit and intercity rail will receive \$7.6 billion in additional funding, and local governments will have access to \$1 billion for active transportation projects. This sustained investment over the course of the next decade and beyond will support hundreds of thousands of jobs in California.

By the end of October 2017 (a month before the new tax rates went into effect), Caltrans and the California Transportation Commission had already advanced more than \$5 billion in "fix-it-first" projects for earlier completion because of SB 1 funding. Caltrans is also accelerating the delivery of 60 bridge projects along trade corridors in Northern, Central, and Southern California. By Spring 2018, the Commission and the California State Transportation Agency will announce grants for competitive programs to improve the state's most heavily used trade corridors and the most congested regional commute corridors, as well as funding new, transformative, public transit projects. A list of these projects and their progress toward completion is available for public review on the [Rebuilding California-SB 1 website](#).

The new SB 1 revenues are allocated by statutory formula to the state for highways, to cities and counties for local roads, and to transit agencies for operations and capital expenditures, and will begin flowing in February 2018. The 2017 Budget provided \$2.9 billion in new funding from SB 1, and improvements funded from these new revenues are being implemented immediately. To jump start delivery of SB 1 goals, Caltrans' pavement maintenance funding has been increased by approximately \$575 million per year. Caltrans has accelerated and programmed 210 highway repair, and bicycle and pedestrian access projects to date. Caltrans is also working with the Commission to program larger repair and rehabilitation projects. Similarly, cities and counties have submitted over 4,000 proposed projects for which the \$451 million in SB 1 funds available in 2017-18, as well as SB 1 funds available in future years, can be used. Pursuant to this list, the Commission approved an initial allocation of these funds to cities and counties at its December 2017 meeting.

Over the next 5 years, SB 1 will increase the resources available for new state highway repair projects from \$9 billion to \$17 billion. The State Highway Operations and Protection Program (SHOPP), the state's long term highway repair plan has been increased by \$1.6 billion in project

funding capacity through 2018-19, with another \$7 billion in projects planned from 2019-20 through 2022-23.

The 2017-18 Budget provided \$2.8 billion in new funding from SB 1 for transportation projects, and the 2018-19 Budget includes \$4.6 billion in new SB 1 funding. These revenues will be distributed evenly between state and local transportation priorities (see Figure TRN-02).

Figure TRN-02
Road Maintenance and Accountability Act Funding
 (Dollars in Millions)

Program		2017-18 Appropriation	2018-19 Appropriation
Local Allocations	Local Streets and Roads	\$451	\$1,193
	Transit and Intercity Rail Capital Program	\$330	\$330
	State Transit Assistance	\$280	\$355
	Local Partnership Program	\$200	\$200
	Active Transportation Program	\$100	\$100
	Commuter Rail and Intercity Rail	\$25	\$36
	Local Planning Grants	\$25	\$25
Total:		\$1,411	\$2,239
State Allocations	SHOPP/Maintenance	\$451	\$1,210
	Bridges and Culverts	\$400	\$400
	Commuter Corridors	\$250	\$250
	Trade Corridor Enhancement	\$153	\$306
	Department of Parks and Recreation*	\$53	\$79
	Air Resources Board Clean Freight	\$50	\$0
	Freeway Service Patrol	\$25	\$25
	Department of Food and Agriculture*	\$17	\$26
	Transportation-related CSU and UC Research	\$7	\$7
	Transportation Workforce Development Board	\$5	\$5
Total:		\$1,411	\$2,308
Administration	Department of Motor Vehicles	\$4	\$8
	Total:		\$4
Revenue	Transportation Improvement Fee	\$737	\$1,510
	Gasoline Excise Tax	\$1,250	\$1,852
	Diesel Excise Tax	\$405	\$672
	Diesel Sales Tax	\$200	\$286
	General Fund Loan Repayment	\$235	\$235
Total:		\$2,827	\$4,555

*Revenue derived from fuel purchased for off-road vehicles.

Progress in the implementation the Road Repair and Accountability Act:

- **Efficiencies**—SB 1 requires Caltrans to achieve \$100 million in annual efficiencies that can be redirected back to capital projects and maintenance. Caltrans is currently implementing a range of efficiencies that are estimated to generate considerably more than \$100 million in cost avoidance and monetary savings. Some of these include reducing overhead costs, accelerating work, innovative contracting tools, value engineering, streamlining of environmental reviews, and implementing of new technologies. Caltrans will provide an interim report at the Commission’s January 2018 board meeting later this month detailing the status of these efficiency improvements.
- **Office of the Inspector General**—SB 1 established an Office of the Inspector General to provide verification and assurance that funds are being used optimally and as the Act intends. The Office will also oversee the Department’s compliance with the new contracting diversity goals in SB 1. The Governor has appointed the new Inspector General, and the 2017 Budget Act provided audit staff and funding to support the office’s efforts.
- **Local Streets and Roads**—The 2017 Budget provided \$451 million to cities and counties for projects that begin addressing their highest repair needs on local streets and roads. Cities and counties are expected to begin receiving the new revenues together with their base road maintenance funding by early February 2018. The Budget provides \$1.2 billion in new revenues to cities and counties to continue addressing the backlog of local road repairs.
- **Transit and Intercity Rail Capital Program**—The upcoming five-year program from new SB 1 revenues and existing Cap and Trade auction proceeds will provide \$2.4 billion in new transit project funding. The program was created to fund transformative projects such as the BART Silicon Valley extension and expanded Los Angeles Union Station capacity, growing ridership and reducing greenhouse gas emissions. The Agency adopted guidelines for the program in October 2017, with project applications due January 12, 2018, and awards expected by April 30, 2018. The Budget provides \$330 million in SB 1 funds for these projects.
- **State Transit Assistance**—For 2017-18, in addition to the transit capital project funding, SB 1 also provided an additional \$280 million for operations for local transit agencies in addition to the \$500 million in other base annual funding. Funds are expected to flow to local transit agencies beginning in early February 2018, and will permit local agencies to improve service for transit riders. The Budget provides an additional \$355 million for local transit operations, bringing the 2018-19 total to \$855 million.
- **Local Partnerships**—SB 1 provides \$200 million per year as matching funds for local projects in jurisdictions that generate local transportation revenues. The Commission completed guidelines for this revised program on October 18, 2017, with local agencies proposing projects by January 30, 2018, and with project selection completed by May 16, 2018. This

program will function similarly to the State-Local Partnership program, which received \$1 billion from Proposition 1B in 2006 and funded projects such as the Interstate-5 French Camp Road Interchange Improvement in San Joaquin County, the La Paz Bridge and Road Widening in Orange County, the 10th Avenue Widening and Reconstruction in Kings County, the White Rock Road Widening and Signalization in El Dorado County, the Yosemite Avenue Reconstruction in Merced County, and the Shaw Avenue Improvements in Fresno County.

- **Active Transportation Program**—SB 1 provides \$100 million per year for bicycle and pedestrian facility projects such as the Santa Ana City First Street Pedestrian Improvement in Orange County, the Palm Drive Bicycle and Pedestrian Improvement in Riverside County, and the Boron to Desert Lake Pedestrian Path in Kern County. These projects provide viable transportation alternatives to the traveling public, improve links to transit, and support other policy objectives such as reducing greenhouse gas emissions. As a result of additional SB 1 funding, the Commission was able to advance 22 existing projects and fund 71 additional projects in both the current and budget years. Selection of state-sponsored projects has already been completed, and final selection of locally-sponsored projects is expected to be complete by the end of January 2018.
- **Repair and Maintenance of the State Highway System**—With the \$451 million provided in the 2017 Budget, Caltrans was able to accelerate 117 projects with a value totaling \$993 million. Maintenance efforts are projected to fix 67,000 potholes, 5,400 lane miles of cracking and 7,000 spalls along with 765,000 feet of guardrail and 32,000 miles of striping. Current year funds are being allocated toward high priority highway repair projects such as 42 lane miles of rubberized pavement in Santa Barbara County, and 36 lane miles of pavement in Kings County. More highway repair projects will be added and accelerated as part of the proposed 2018 State Highway Operation Protection Program due to be adopted in March 2018. The Budget provides \$1.2 billion to continue addressing the state's highest repair and maintenance needs.
- **Bridge and Culvert Repairs**—SB 1 provides \$400 million per year to fund repairs and maintenance on the state's bridge and culvert infrastructure, including such projects as the seismic retrofit of two bridges at the Santa Ana River in San Bernardino County, the Seismic Retrofit of the Salinas River Bridge in Monterey County, the Tower Bridge pier protection replacement in Yolo County, and the replacement of the Cache Creek Bridge in Kern County. It also allowed Caltrans to move forward quickly with projects like the culvert repair around Soda Springs and the sinkhole repair on Interstate 15 in San Diego. More bridge projects will be added and accelerated as part of the proposed 2018 State Highway Operation Protection Program due to be adopted in March 2018.
- **Commuter Corridors**—SB 1 provides \$250 million per year for projects to improve capacity

in the state's most congested commuter corridors. The Commission completed guidelines for this revised program on December 6, 2017, and projects are due by February 2018, with project selection expected by May 16, 2018. Typical projects include highway widening, high occupancy vehicle lanes, and improved on-ramp and off-ramp construction. This program will be similar to the Corridor Mobility Improvement Account program, which received \$4.5 billion from Proposition 1B in 2006 and funded projects such as the Sonoma Narrows Highway 101 widening and high occupancy vehicle lane project in Marin County, the Lincoln Bypass project in Placer County, the Sonora Bypass project in Tuolumne County, and the Highway 57 northbound widening project in Orange County.

- **Trade Corridor Enhancements**—The 2017 Budget provided \$203 million for projects that address bottlenecks and improve throughput on the state's most economically important trade corridors. Of this amount, \$50 million was appropriated to the Air Resources Board for its competitive Zero/Near-Zero Emission Warehouse Program, which will fund projects that reduce emissions from freight-related sources. For the remainder of these funds, the Commission completed guidelines for this revised program on October 18, 2017, and proposed projects are due by January 30, 2018, with project selection expected by May 16, 2018. This Budget provides \$306 million to fund new projects to meet the state's current and future freight needs. Typical projects include port improvements, highway railroad grade separations, highway widening, and double tracking for freight rail. This program will be similar to the Trade Corridors program, which received \$2 billion from Proposition 1B in 2006 and funded projects such as the Interstate-880 Reconstruction at 23rd & 29th Avenues in Alameda County, the Tehachapi Trade Corridor Rail Improvement Project in Kern County, the San Gabriel Valley Grade Separation Program in Los Angeles County, the Schuyler Heim Bridge Replacement in Los Angeles County, the Gerald Desmond Bridge Replacement in Los Angeles County, the Magnolia Avenue Grade Separation in Riverside County, the Interstate-15 Widening and Devore Interchange Reconstruction in San Bernardino County, and the Port of San Diego Freeway Access Improvements in San Diego County.
- **Freeway Service Patrols**—SB 1 provides \$25 million per year on top of the existing \$25 million in base funding for local transportation agencies to fund freeway service patrols that help clear incidents that cause temporary congestion, such as flat tires or vehicles that have run out of fuel. Studies have shown that disabled vehicles cause up to a third of the state's traffic delays.

CALIFORNIA TRANSPORTATION AGENCY

Significant Adjustment:

- New SB 1 Resources for Intercity and Commuter Rail Program—\$36 million Public Transportation Account from increased diesel sales tax revenues to be allocated by the Agency for operations and capital improvements of intercity and commuter rail services. Allocation requests were received on December 15, 2017, for the three-year period ending 2019-20. Rail operators indicate this funding will expand rail service, be used to purchase or rehabilitate train sets, and improve track and signal infrastructure.

STATE TRANSIT ASSISTANCE PROGRAM

The State Transit Assistance program provides a share of revenues from diesel sales taxes and the new Transportation Improvement Fee, as well as a statutory share of proceeds from Proposition 1B bonds and the sale of Cap and Trade credits, to fund operating subsidies for local transit agencies. The State Controller distributes these revenues based on a statutory allocation formula.

Significant Adjustment:

- New SB 1 State Transit Assistance Grants—\$355 million Public Transportation Account to local transit agencies for operations and capital costs.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (Caltrans) has almost 20,000 employees and a budget of \$13.6 billion. Caltrans designs and oversees the construction of state highways, operates and maintains the highway system, funds three intercity passenger rail routes, and provides funding for local transportation projects. The Department maintains 50,000 lane miles of state highway and more than 12,000 state-owned bridges, and inspects 408 public-use and special-use airports and heliports. The largest sources of funding for transportation projects are excise taxes paid on fuel consumption, federal funds also derived from fuel taxes, and weight fees on trucks.

Significant Adjustments:

- New SB 1 Transportation Project Funding—\$2.8 billion in additional funding for a range of programs, including \$1.2 billion for highway maintenance and repairs, with \$53.3 million for 400 new maintenance positions, \$400 million for repairing state-owned bridges and culverts, \$330 million for local transit projects, \$306 million for improvements to the state's trade corridors, \$250 million for projects to relieve commuter corridors, \$200 million in

matching funds for the Local Partnership Program, \$100 million for active transportation projects, \$25 million for freeway service patrols, and \$25 million for local planning grants.

- Personal Services Funding Correction—\$58 million to properly allocate personal service funding. This technical adjustment will fully fund all Caltrans positions from the appropriate funding categories.
- Cyber Security—\$10.4 million State Highway Account and 4 positions for Caltrans to develop an enterprise privacy office to address its ongoing cyber security needs. While \$9.2 million will be for hardware and software, \$700,000 will be for consulting and licenses and \$500,000 will be for 4 ongoing positions to work with vendors, develop training, policies, and procedures, and manage the program.
- Federally Mandated Workload—\$4.7 million federal funds and State Highway Account to address several new federal requirements. This includes \$3 million for consultants to develop a Strategic Highway Safety Plan, \$850,000 for 4 positions to meet new tunnel inspection requirements, and \$835,000 to address federal risk mitigation requirements.

SHARED REVENUES

Funding provided through the Shared Revenues program is apportioned to local jurisdictions based on statutory formulas.

Significant Adjustment:

- New SB 1 Local Road Maintenance Funding—\$1.2 billion in additional funding for cities and counties to be distributed by the State Controller.

CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) promotes the safe, convenient, and efficient transportation of people and goods across the state highway system and provides the highest level of safety and security to the facilities and employees of the State of California. The Budget proposes \$2.4 billion, all from non-General Fund sources, and almost 11,000 positions for support of the CHP.

Significant Adjustments:

- Vehicle Replacements—\$4.5 million Motor Vehicle Account for the CHP to address a replacement backlog of vehicles that have surpassed the mileage limits established by

independent consultants as industry best practices. Provisional language was also added that will permit the CHP to fully utilize its annual budget to address its fleet replacement needs.

- Radio Console Replacements—\$3.9 million Motor Vehicle Account for the first-year cost of a \$13.3 million effort to replace 187 dispatch radio consoles at 23 CHP communications centers. Included in this amount is four-year limited-term funding of \$509,000 for 4 IT positions to install, service, and repair the new equipment.
- Vehicle-Mounted Radar Units—\$600,000 Motor Vehicle Account annually for two-years to replace radar units that are past their useful life or are no longer functioning.

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. Most recently, the DMV has successfully addressed the initial workload associated with expanded eligibility for driver licenses, and the Department is prepared to address workload related to the requirements of the federal Real ID Act. The Budget proposes \$1.2 billion, mostly from non-General Fund sources, and more than 8,300 positions, to support DMV operations.

Significant Adjustments:

- IT Software Replacement—\$15 million Motor Vehicle Account for the first-year costs of the Front End Sustainability Project, the DMV's five-year \$89 million effort to replace its software for vehicle registration and managing service fees and payments. Over the five-year project, the estimated costs include \$38 million for the software system contract, \$43 million for Department of Technology staff, data center usage, and associated equipment and facilities upgrades, and \$8 million for 10 additional DMV staff.
- IT Hardware Refresh—\$3.1 million Motor Vehicle Account to replace high-priority equipment and hardware that has reached the end of its useful life. This equipment includes servers, as well as network and storage equipment that support the ability of the DMV to provide reliable services to its customers.
- Clean Vehicle Decal Program—\$2.7 million Motor Vehicle Account, including funding for 3 ongoing positions and 18 temporary help positions, for a new clean air vehicle decal program pursuant to Chapter 630, Statutes of 2017 (AB 544).