

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
- 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 \$15.8 billion (\$84 million General Fund and \$15.7 billion other funds) 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.

THE FUTURE OF STATE 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 vital to the state's continued economic growth and serves much of the country, with nearly 20 percent of the goods imported to the United States moving through California ports, highways, and railways. Bottlenecks in the state's trade corridors constrain economic growth and reduce quality of life, as Californians spend hundreds of hours in traffic.

The Administration has been working toward building a robust, multi-modal, and sustainable transportation infrastructure by advancing high-speed rail and creating new funding programs for transit, bicycling, and walking. However, the state continues to face ongoing funding challenges in the tens of billions of dollars for the maintenance and repair of core infrastructure—state highways, roads, and bridges.

While Proposition 1B, The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, provided \$20 billion for transportation infrastructure, it largely focused on capacity, local streets and roads, and transit. Repair and maintenance of the state highway system has largely been overlooked. Of nearly \$11.5 billion in ongoing transportation revenues available for the state's transportation infrastructure, about 70 percent is devoted to local streets and roads, transit, capacity expansions, and debt service. As a consequence, the state's highway system has deteriorated over time.

TRANSPORTATION INFRASTRUCTURE

The following summarizes existing funding and recent efforts to address the state's aging transportation infrastructure:

- Local Roads—Cities and counties receive a portion of state fuel excise tax revenues (\$1.6 billion) and federal fuel excise tax revenues (\$1.5 billion) to fund maintenance and some capacity projects. In the last decade, local governments also benefited from one-time funds totaling over \$3 billion from Proposition 1B. Similarly, local

agencies received \$1.6 billion for local road projects from the American Recovery and Reinvestment Act of 2009 (ARRA). Additionally, since the late 1980s, counties have passed local sales tax measures to supplement state and federal funding for local roads and state highway expansions within their jurisdictions. There are currently 19 of these “Self-Help” counties and as of 2014 their measures provide an additional \$3.8 billion annually for local transportation purposes. Additions to the state highway system, funded by these counties, also increase the pressure associated with unfunded state maintenance costs.

- Public Transportation—Current investments in local transit, which include operations, maintenance, and capital improvements, now total nearly \$400 million annually from the diesel sales tax. In addition, a quarter-cent sales tax is directed to local transit, providing nearly \$1.7 billion annually. Cap and Trade funds provide an ongoing share of annual revenues to public transportation. This includes:
 - 25 percent for the high-speed rail project.
 - 5 percent to local transit agencies for operational improvements.
 - 10 percent in competitive grants for state or local transit improvement projects.
 - 20 percent for affordable housing and other development that support transit ridership.

Public Transportation also benefited from one-time funding from Proposition 1B, providing a total of \$5.3 billion. Similarly, \$1.1 billion in ARRA funding went to fund local transit projects. Proposition 1A, passed in November 2008, provided nearly \$10 billion in bond funds toward construction of a high-speed rail system, including early bookend improvements benefiting regional rail services and other rail and transit improvements.

- Capacity—In addition to the state’s share of annual funding dedicated to transportation projects that increase state highway and intercity rail capacity (over \$300 million), Proposition 1B also provided one-time funding for increasing corridor mobility (\$4.5 billion), widening State Route 99 (\$1 billion), expanding trade corridors (\$2 billion), and completing other capacity projects programmed in the State Transportation Improvement Program (\$2 billion).
- Highway Repairs and Maintenance—Aside from the average annual state share of federal and state fuel excise taxes (\$2 billion), a relatively small portion of other one-time funding has gone to the repair/rehabilitation and maintenance of pavement,

culverts, and bridges. The state's share of ARRA funding for maintenance and repair projects on the state highway system was just \$964 million—only 26 percent of the total awarded to California. An early loan repayment in 2014 provided \$127 million for highway maintenance and repairs, and Proposition 1B provided \$500 million for the State Highway Operation and Protection Program (SHOPP). In comparison, the 2013, 10-Year SHOPP identified annual needs of \$8 billion, \$6 billion of which is currently unfunded. The state also spends approximately \$1.5 billion annually for routine maintenance of pavement, roadsides, sound walls, landscaping, litter removal, rest stops, and other facilities.

FINANCING CHALLENGES

As mentioned above, 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 gap in the SHOPP of \$6 billion annually. Efforts at converting California vehicles to sustainable fuel sources have continued to be successful in terms of both reduced greenhouse gas production and increased fuel efficiency. However, one consequence of reduced fuel consumption and an increase in the number of electric vehicles is lower long-term fuel excise tax revenues—the state's primary source of funding for the maintenance and repair of its transportation infrastructure. In considering new funding sources, the state must focus funding on the priorities that are the state's core responsibility—maintaining and operating the state's network of highways and interstates, and improving the highest priority freight corridors. Additional borrowing through bonds would not be appropriate, not only because the funding gap is an ongoing one, but also because roughly one out of every two dollars spent on bond-funded infrastructure goes to pay interest costs rather than construction costs, and currently 9 percent of total transportation revenues are spent on debt service.

The state has already started to explore new and expanded financing strategies for the state's ongoing maintenance and repair needs, including:

- Road Usage Charge Pilot Program—The Budget proposes five positions and \$9.4 million in State Highway Account funding to implement a Road Usage Charge Pilot Program pursuant to Chapter 835, Statutes of 2014 (SB 1077). The purpose of this pilot program is to explore a potential mileage-based revenue collection system, or Road Usage Charge, to support maintenance and operations of California's roads and highways as a possible replacement to the gasoline tax system currently in place. A final report and recommendations, based on the results of the pilot, is due no later than June 30, 2018.

- Toll Roads—The state highway system currently includes high-occupancy vehicle lanes, the access to which is limited during rush hours to only those vehicles with two or more passengers. This often leaves unused capacity in these lanes. By converting these lanes to high-occupancy toll lanes and opening these lanes to paying drivers, the state is able to better maximize capacity as well as generate additional revenues. Legislation is proposed that will restore authority for new high-occupancy toll lane projects, including conversions of existing high-occupancy vehicles lanes to toll lanes. This legislation will expand the authority of the California Transportation Commission to approve these lanes.

These funding strategies alone are not sufficient to address the state’s ongoing maintenance and repair needs. The state must consider other funding options to provide for the long-term sustainability of the state’s core highway system. The solution must address the deferred maintenance needs of the highway system, key freight corridor investments, and include an ongoing pay-as-you-go funding structure that aligns funding with use of the system. Existing authority for local revenues can, and does, help address local preservation shortfalls for roads and transit. As such, new local-option revenues should also be considered for these investments. As the state explores options for maintaining state highways and investing in key trade corridors, it is appropriate to consider the weight of vehicles, which is directly related to the wear and tear on the state’s highway system.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (Caltrans) must be run as efficiently as possible to maximize the benefits from transportation funding. Starting in 2012, the state began a multi-year effort to review all of Caltrans’ programs, streamline operations, and maximize efficiency. To date, the Rail, Local Assistance, Planning, Aeronautics, Capital Outlay Support-Project Direct, and Legal programs have been reviewed, and the Maintenance program will be reviewed for the 2016-17 Budget.

Two initiatives, led by the Transportation Agency, have directed efforts to improve the productivity, sustainability, and accountability of state transportation policies and practices. The first effort resulted in a comprehensive report from the State Smart Transportation Initiative (SSTI) that recommended that Caltrans modernize its mission, strengthen management and performance, and match investments and resources to the state’s policy goals. The second effort was to convene the California Transportation Infrastructure Priorities workgroup to prioritize transportation investments and explore

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pay-as-you-go funding alternatives to address the state's infrastructure needs. Based on efforts from these initiatives, Caltrans has reshaped its mission providing a foundation to improve the productivity, sustainability, and accountability of state transportation policies and practices. The Transportation Agency and Caltrans are committed to modernizing the Department and addressing these challenges. These efforts can be characterized in three major areas: environmental sustainability, operational efficiencies, and effective project planning.

ENVIRONMENTAL SUSTAINABILITY

The Administration has made significant progress in recent years toward achieving improved multi-modal choice and better transportation system integration:

- In 2012, appropriating \$4.7 billion in Proposition 1A funds for high-speed rail and public transportation improvements.
- In 2013, establishing the Active Transportation Program and programming over \$350 million to date in funds for bicycle and pedestrian facilities throughout California.
- In 2014, investing \$180 million Cap and Trade auction revenue in sustainable communities, public transit, and active transportation improvements with an additional \$250 million allocated to high-speed rail. Given the importance of these investments in reducing greenhouse gases, 25 percent of future proceeds are devoted to advancing the high-speed rail project and 35 percent is dedicated to the other public transit-related initiatives.

Other environmental sustainability activities include:

- **Advanced Mitigation**—Without the addition of new resources, Caltrans is implementing an Advanced Mitigation Program that will facilitate the purchase or construction of mitigation projects on a regional scale to offset impacts of construction and rehabilitation of the state transportation system. Directing funding in advance to mitigation projects can reduce project delays and mitigation costs, and improve environmental outcomes.
- **Drought Management**—Caltrans is responsible for 31,000 acres of highway landscaping. Caltrans has implemented a number of water conservation measures to respond to the severe drought in California, including the addition of smart irrigation controllers and shifting to the use of more drought tolerant plants.

- Fleet Greening for Air Quality—The Budget includes \$12 million for fleet greening to achieve air quality targets as adopted by the Air Resources Board for all heavy duty equipment. These resources will allow the Department to replace its existing equipment with new, more environmentally efficient equipment.

OPERATIONAL EFFICIENCIES

Building upon recommendations from the SSTI, Caltrans has updated its mission and vision to modernize the department and focuses on preserving and improving the operation of the existing transportation infrastructure.

- Transportation Management Systems—The use of technology to better manage existing highway capacity can be more cost-effective than building new capacity. To that end, the Budget includes an increase of \$6.6 million, 20 traffic operations positions and 44 maintenance positions. These resources will be used to maintain and improve existing transportation management system elements and communication links on the state highway system. These elements are used to anticipate and clear incidents, provide traveler information, and enable integrated corridor management. The traffic operations staff will support a pilot study of two primary north and south corridors to measure the effectiveness of these elements in expanding system capacity and throughput.
- Streamline Relinquishments—A number of routes are still part of the state highway system that no longer serve an interregional purpose, and instead serve primarily regional or local purposes. The existing relinquishment process considers each segment individually. Legislation is proposed to broaden and streamline the state process for relinquishing portions of the statewide system that primarily serve regional or local purposes. Shifting ownership of these segments, many of which run through a downtown area, will increase local flexibility to add stoplights and make better use of valuable real-estate to support transit-oriented development. Additional relinquishments reduce the state’s long-term costs for ongoing maintenance and repair.

EFFECTIVE PROJECT PLANNING

Consistent with recommendations from the SSTI, Caltrans has continued to improve its planning efforts so that limited transportation funding can be used in a timely and effective manner.

- Pavement Management System (PaveM)—Pavement deteriorates at different rates depending on the type of traffic or weather conditions to which it is exposed.

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Caltrans recently completed implementation of its PaveM project which provided a thorough evaluation of the state's highway pavement conditions using ground penetrating radar. This data is now being tracked over time to measure rates and types of pavement deterioration. This assessment will better equip the Department to make strategic investments of the State's limited transportation resources and prioritize maintenance and repairs on those sections of the highway that are most distressed using materials that will maximize the pavement's useful life.

- **Asset Management**—Caltrans is currently developing a robust, risk-based asset management system to better target its resources, preserve the condition of its transportation assets, and improve the performance of the state highway system. This plan will include a listing of the pavement and bridge assets with both a description of the condition of those assets and an associated risk analysis and estimate of lifecycle maintenance costs. It will also include both a financial plan for funding future maintenance and a list of investment strategies to plan for the future of these assets. This plan will be phased in starting with the 2016 SHOPP.
- **Project Initiation Document Program**—The Budget includes \$3.4 million and 25 positions to support an additional \$800 million in various state and local transportation work. The funding addresses workload in two major areas:
 - Increased funding (\$300 million) from the 2014 fund estimate for the SHOPP, and increased locally sponsored reimbursement work.
 - Resources to accelerate project initiation documents to create a \$500 million queue, operating on a first-in-first-out basis, for priority projects such as pavement, bridge, mobility and roadside projects, so that the state can quickly advance projects planned in future years should additional funding become available, either through current project savings or other sources.