

CALIFORNIA  
*Counties*

2012 CCSA Pavement Preservation  
Workshop & Conference

**Transportation Funding  
in California**

February 9, 2012



# Adequate Transportation Funding Remains Elusive



- The last statewide vote to increase the gas tax, which is the primary source for preservation monies, was in 1990 when voters approved a 9-cent gas tax increase.
- Since that time, population has increased close to 21% from 29.7 million to 37.6 million Californians.
- Over the past 15 years, VMTs have grown three times the rate of population and by 2030 VMTs are expected to increase another 50%.
- For the last 21 years, the only success has been to divert monies from elsewhere, to borrow or to seek countywide solutions.



# Temporary Solutions have been Exhausted

- Divert--In 2002 voters approved Proposition 42 by almost a 70% margin, redirecting the state's portion of sales taxes on gasoline from the General Fund to transportation programs.
- Borrow--In 2006 voters approved Proposition 1B that authorized \$20 billion in bonds for a variety of transportation programs, including \$2 billion for local streets and roads. All of the preservation monies available in the bond have been allocated. Today, we are paying an average of \$1 billion annually for transportation related bond debt service.
- Countywide Solutions--19 of the 58 counties representing 83% of the population have been successful in achieving a two-thirds vote to increase their sales tax for various transportation programs. Very few remaining counties are expected to be successful in meeting this high two-thirds threshold.
- Today the State only contributes about 22% of all revenues available for transportation needs with local sources providing 65%.

# Inability to Find Permanent & Adequate Funding has Consequences



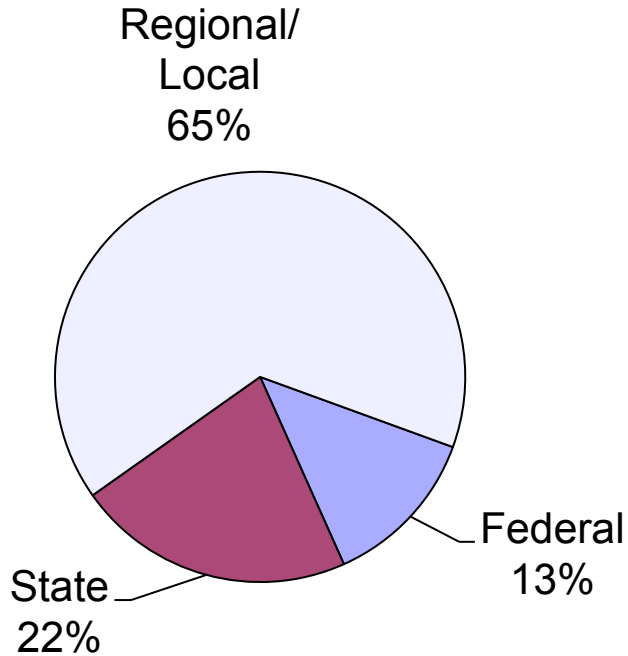
- CTC just adopted first California Statewide Transportation Needs Assessment that identifies needs across all modes and systems.
- The news is alarming - over the next 10 years we need \$536 billion for preservation, management, and expansion of our transportation systems.
- It should be noted that of this total, \$341 billion or two-thirds is attributable to system preservation needs, while the remaining \$195 billion is needed for system management and expansion.
- Further alarming, is when looking at all revenues available over this same 10 year period, we find that we only have \$242 billion available.
- We can only meet 45% of the need leaving a shortfall of \$294 billion.
- Our own recent study of preservation needs for the local street and road system found a funding shortfall of \$8 billion a year with 6 % of local roads in a failed condition. Without new revenue failed roads will grow to 22 % by 2020.
- California's economic stability and growth depends on a functioning transportation system.

# Summary of Needs Analysis

<b>Costs:</b>	<b>System Preservation (in \$ Billions)</b>	<b>System Management &amp; System Expansion (in \$ Billions)</b>	<b>Total (in \$ Billions)</b>
Highways	\$79.66	\$86.28	\$165.94
Local Roads	\$102.90	\$26.45	\$129.35
Public Transit	\$142.36	\$32.17	\$174.53
Inter-city Rail	\$0.17	\$6.24	\$6.41
Freight Rail	\$0.06	\$22.31	\$22.38
Seaports	\$4.60	\$7.50	\$12.10
Airports	\$10.42	\$5.51	\$15.93
Land Ports	\$0.94	\$0.03	\$0.97
Intermodal Facilities	\$0.00	\$5.95	\$5.95
Bike / Ped	\$0.00	\$4.51	\$4.51
<b>Total Costs</b>	<b>\$341.11</b>	<b>\$196.96</b>	<b>\$538.07</b>

<b>Revenues:</b>			
Federal	NA	NA	\$30.90
State	NA	NA	\$53.10
Regional / Local	NA	NA	\$158.40
<b>Total Revenues</b>	<b>\$147.71</b>	<b>\$94.69</b>	<b>\$242.40</b>
<b>Net Revenues</b>	<b>(\$193.40)</b>	<b>(\$102.27)</b>	<b>(\$295.67)</b>
<b>% Funded</b>	<b>43.30%</b>	<b>48.08%</b>	<b>45.05%</b>

# Revenues



**Total Revenues = \$242.4 Billion**

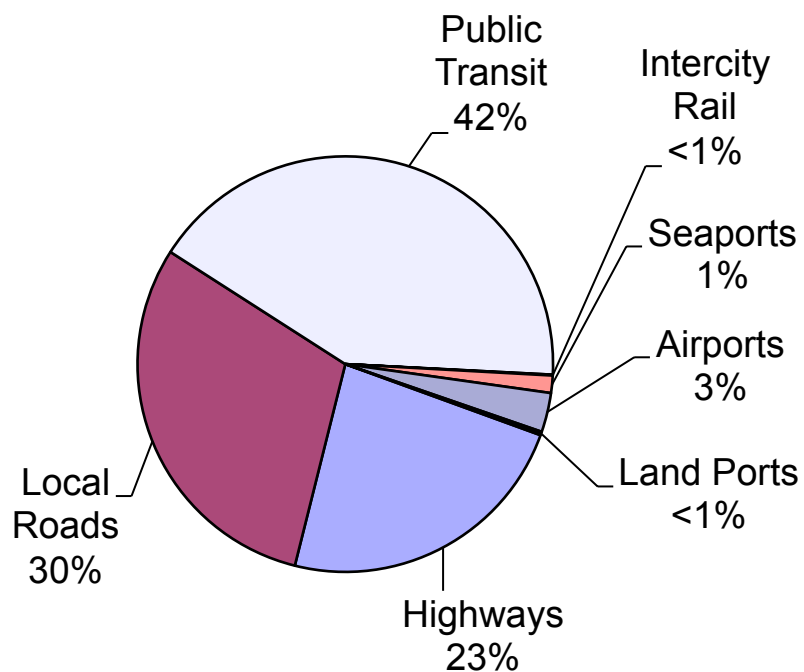
	<b>Total (in \$ Billions)</b>	<b>%</b>
Federal	\$ 30.9	13%
State	\$ 53.1	22%
Regional/ Local	\$ 158.4	65%
<b>TOTAL</b>	<b>\$ 242.4</b>	

# Current Revenue Streams Relied Upon for Preservation are Shrinking



- The primary revenue source for preservation of the system is the gas tax. Cities and counties currently receive about 11-cents of the current 35-cent gas tax, while Caltrans receives about 13-cents for preservation of the state system. The remaining 11-cents goes towards state expansion projects and transportation related bond debt service.
- Proposition 22 passed by the voters in 2010 constitutionally protects these funds from borrowing or diversion for other purposes as we experienced over the last several years.
- However, growth in this revenue is very dependent upon gasoline consumption which is trending downward—last quarter it dropped by 4%.
- Further, with the focus on fuel efficient vehicles, hybrids, electrics and alternative modes of transportation we can only expect this trend to get worse.
- Many counties stress that the gas tax is no longer sufficient to support any significant system preservation programs.

# System Preservation Costs



	<b>Total (in \$ Billions)</b>	<b>%</b>
Highways	\$79.7	23%
Local Roads	\$102.9	30%
Public Transit	\$142.4	42%
Intercity Rail	\$0.2	<1%
Freight Rail	\$0.1	<1%
Seaports	\$4.6	1%
Airports	\$10.4	3%
Land Ports	\$0.9	<1%
<b>TOTAL</b>	<b>\$341.1</b>	

**Total System Preservation  
Costs = \$341.1 Billion**



# Political Reality of Addressing the Funding Gap



- No tax attitude—uphill battle to get the two-thirds vote in the Legislature to allow the voters to decide whether to impose a tax on themselves.
- Let alone the Legislature meeting the two-thirds threshold to increase a tax.
- Only recent success has been going directly to the voters.
- Will require diverse stakeholders to reach consensus over which modes and systems will be funded.
- Will require a well financed campaign (\$3 million to collect signatures and likely another \$2-3 million to mount a successful campaign).
- Considering the massive shortfall across all systems and modes there will be significant competition for funds.

# Observations & Conclusion



- While transportation funding from the state level is now dedicated for transportation purposes, it is a declining revenue source that cannot keep pace with the demand. There is no indexing or escalator.
- We are likely maxed out on any significant increase from regional/local sources, such as the local sales taxes. We may see another dozen or so small counties successful in passing one, but only with a reduction in the two-thirds voting threshold required to impose such a tax.
- Lastly, all eyes are on Congress as they debate reauthorization of the federal monies that at this point is 2 years overdue and without a new funding source may be 30 to 40% underfunded.
- We know what the needs are—now we need to educate and engage policymakers and the public to support a significant injection of new revenue which is necessary to keep California moving and competitive.
- We must protect the legacy we have inherited.