Senate Budget and Fiscal Review
SUBCOMMITTEE NO. 2 **Agenda**

Senator Jim Beall, Chair
Senator Jim Nielsen
Senator Hannah-Beth Jackson

Monday, December 16, 2013
10:30 a.m.
Bascom Community Center, Multi-Purpose Room
1000 S. Bascom Avenue, San Jose
Consultant: Farra Bracht

More Than A Pothole: California's Growing Road Repair Deficit

Informational Hearing on the Condition of California's Roads and Transportation Funding

I. Overview

Brian P. Kelly, Secretary, California State Transportation Agency

II. Transportation Needs Assessments and Funding

Andre Boutros, Executive Director, California Transportation Commission
Scott McGolpin, President of the County Engineers Association of California and Public Works Director of Santa Barbara County
Will Kempton, Executive Director, Transportation California
Jessica Peters, Senior Fiscal and Policy Analyst, Legislative Analyst's Office

III. On the Ground Perspectives

Hans F. Larsen, Director of Transportation, City of San Jose
Joe Pirzynski, Chairperson, Santa Clara Valley Transportation Authority Board of Directors
Steve Takigawa, Maintenance and Operations Deputy Director, California Department of Transportation
Steve Heminger, Executive Director, Metropolitan Transportation Commission

IV. Public Comment

Resources—Environmental Protection—Energy—Transportation

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Informational Hearing on the Condition of California's Roads and
Transportation Funding

PURPOSE

The purpose of this hearing is to examine the state of California's roads and the funding available to maintain these assets. The hearing also will raise public awareness about related challenges the state faces. In this hearing, the Secretary of the California State Transportation Agency will discuss the work of the California Transportation Infrastructure Priorities Workgroup, which was created to help set priorities for transportation spending and explore long-term funding options to deliver California's infrastructure needs. In addition, a panel including the California Transportation Commission, Transportation California, and the Legislative Analyst's Office will present their assessments of the state's transportation needs, the status of funding, and alternative ways to address these needs. Finally, the California Department of Transportation (Caltrans), the City of San Jose, the Metropolitan Transportation Commission, and the Santa Clara Valley Transportation Authority will present their "on the ground" perspectives of unfunded transportation needs.

BACKGROUND

The California state highway system includes nearly 50,000 lane-miles of pavement, 12,599 bridges, 205,000 culverts and drainage facilities, 87 roadside rest areas, and 29,183 acres of roadside landscaping. In addition, California's 58 counties and 480 cities own and maintain 141,235 miles of local streets and roads, as well as numerous local bridges. Approximately, 200 public agencies provide some kind of public transit service that results in about 1.3 billion passenger trips each year. The modes of transit include intercity bus and passenger rail.

Both the state's highway system and local roads are in poor condition according to various studies. The state's highway system is ranked 47th in the nation in overall efficiency and performance, and its urban interstates are ranked as the most congested in the nation. The state ranks 49th in urban interstate pavement condition and 39th in the condition of rural arterial roads. Also, the majority of California's counties now have an average pavement condition rating that is considered at risk, and projections indicate that by 2022, a quarter of local streets and roads will be in the failed category.

In recent years, various organizations have prepared assessments of the state's transportation system and its needs. In general, these studies have found that the needs are great and the funding to address those needs is inadequate. For example, in 2011, the *California Transportation Commission Statewide Transportation System Needs Assessment* found that the total cost of all system preservation, system management, and system expansion projects during the ten-year study period was nearly $538.1 billion, as shown in the figure below. Of this total, about 63 percent of the costs are for rehabilitation projects and maintenance costs based on the goal of meeting accepted standards that would bring transportation facilities into a "state of good repair" within the ten-year study period. The remaining costs were for system management and expansion projects. This assessment found that the amount of funding anticipated over the next 10 years from all sources (federal, state, and local) represents less than one-half the amount needed to maintain and invest in the state's transportation system.

Ten-Year Cost Revenue Summary of State and Local Needs
(Dollars in Millions)

Costs	**Preservation Costs**	**System Management and Expansion Costs**	**Total**
Highways	$ 79.7	$ 86.3	$165.9
Local Roads	102.9	26.5	129.4
Public Transit	142.4	32.2	174.5
Inter-city Rail	0.2	6.2	6.4
Freight Rail	0.1	22.3	22.4
Seaports	4.6	7.5	12.1
Airports	10.4	5.5	15.9
Land Ports	0.9	0.0	1.0
Intermodal Facilities	0.0	5.9	5.9
Bike/Ped	0.0	4.5	4.5
Total Costs	**$ 341.1**	**$ 197.0**	**$ 538.1**
Revenues			
Federal			$ 30.9
State			53.1
Regional/Local			158.4
Total Revenues			**$ 242.4**
Net Revenues			**$ 295.7**
Percent Funded			45.05%

Source: CTC Statewide Transportation System Needs Assessment

Similarly, the 2012 *California Statewide Local Streets and Roads Needs Assessment* evaluates the present condition and future requirements of California's pavement, bridges, sidewalks and other essential transportation components of the local streets and roads network. It determines the cost to bring the transportation system up to a best management practices condition, which is the most cost-effective and efficient condition to maintain pavement. It indicates a funding shortfall of $82.2 billion over the next ten years.

During the last few years, the overall level of revenue available to fund transportation has remained relatively stable. This revenue comes from three main sources: (1) the excise tax on gasoline, (2) vehicle weight fees, and (3) sales and excise taxes on diesel fuel. The *2013-14 Budget Act* includes $12.8 billion in funding for Caltrans from various sources. In addition, approximately $13 billion in revenues from locally-imposed revenues such as add-on sales tax, property tax, and developer fees are available for transportation projects. However, as described earlier, this level of funding has left some of the state's roads in disrepair. Moreover, going forward, structural changes at both the the federal and state levels may impact the way the state prioritizes, funds, and delivers transportation projects.

ISSUES TO CONSIDER

State is Unlikely to Ever Have Enough Funding to Address All Transportation Needs. The amount of funding necessary, as identified in the various needs assessments, to maintain and improve the state's transportation system is significant. Increasing revenues and deciding where to spend those additional resources is a challenging process and it is unlikely that the amount of resources desired would ever materialize and be exclusively spent on transportation projects. It is important to note that many areas of the state's budget such as education and health care also have demands for additional resources. Therefore, it will be important to prioritize the use of existing resources and explore alternative ways to address the shortcomings of the current funding system.

Prioritization of Maintenance. As pavement conditions deteriorate, the cost of repair increases exponentially. Going forward, it will be important for the state to ensure that it strikes an appropriate balance between maintaining existing assets and expanding the system. Caltrans has recently implemented PaveM, which is an IT system that can help the state prioritize which road maintenance projects it selects. The system uses data to create a list of projects based on maintaining roads given a set of conditions, such as ensuring that 95 percent of the roads are in good condition, within specific budget constraints. Such a tool could help Caltrans prioritize the use of existing resources to help ensure that limited funds are spent on the best projects for pavement preservation and rehabilitation.

Technology to Address Shortcomings in the Current System. The performance of transportation systems can be maximized by implementing technology to monitor and manage traffic flow. Such an approach can help reduce congestion and some of the negative environmental impacts of idling vehicles. These types of systems have been implemented in parts of California and include ramp metering and providing real-time data about traffic conditions. However, existing

technologies could be expanded to potentially achieve greater benefits. In addition, research is underway that explores the implementation of vehicle-to-vehicle communication and automated vehicles to increase safety and reduce the risks of accidents. It will be important to ensure that at the state level, Caltrans and others are open to the idea that technology may be able to address some of the system's shortcomings. Such an approach requires a fundamental shift in the way transportation needs are currently being met.

New Funding Sources. Some of the revenues used to support the transportation system have been eroded over time by increasing fuel economy and alternative fuel usage. New funding sources could include a greater use of tolls, mileage fees tied to the amount of vehicle travel, and congestion pricing which makes the price of traveling the highest during the times of day when the demand for (and benefit) from using roads is the greatest. These types of funding sources offer an advantage over gas taxes in that these revenues are not eroded by increases in fuel economy or alternative fuel usage. However, these funding sources can also face implementation challenges. For example, mileage-based fees present both privacy and technical obstacles.

Another potential source of funding for transportation projects is revenues from the cap-and-trade program, created to help achieve the goal of reducing greenhouse gas (GHG) emissions statewide to 1990 levels by 2020, as established in the Global Warming Solutions Act of 2006 (Chapter 488, Statutes of 2006 [AB 32, Núñez/ Pavley]), commonly referred to as AB 32. This program places a "cap" on aggregate GHG emissions from entities responsible for roughly 80 percent of the state's GHG emissions. Carbon allowances are issued that these entities will, in turn, be able to "trade" (buy and sell) on the open market. However, it is important to note there is great demand for this funding, such as for the construction of high-speed rail and other projects that could potentially reduce GHGs.

BUDGET HEARINGS PROVIDE AN OPPORTUNITY TO EXPLORE SOLUTIONS

This informational hearing provides the opportunity to learn more about state and local unfunded and under-funded transportation needs from a variety of perspectives and to raise public awareness about these issues. While it is important to explore new funding sources that do not erode over time, one must bear in mind that it is highly unlikely that there will ever be enough funding to meet all transportation needs. Therefore, it will be important to ensure that limited resources are maximized and spent on the highest priority needs. The upcoming 2014 budget hearings will provide an opportunity to hear from the Secretary of Transportation about the funding strategies identified by his workgroup. In addition, the committee can explore future funding options, discuss the opportunities and limitations of these sources, and identify potential strategies for going forward.