



# **California's Continuing Transportation Funding Problems**

**California Transportation Foundation**

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California Transportation Commission**

# Two Commonly Asked Questions



1. “What are you doing with our money?”
2. “How come transportation projects cost so much?”

# State Comparison



## Population

1. California – 39.1 million
2. Texas – 27.4 million
3. New York – 19.7 million

## Licensed Drivers

1. California - 24.4 million
2. Texas - 15.4 million
3. Florida - 13.7 million

## Registered Vehicles

1. California – 27.5 million
2. Texas – 19.6 million
3. Florida – 14.9 million

## Vehicle Miles Traveled (VMT)

1. California – 329.5 billion
2. Texas – 244.5 billion
3. Florida – 192.7 billion

# State Gasoline Taxes



Top Five States (Combined local, state & federal taxes-as of Jan. 14, 2016)

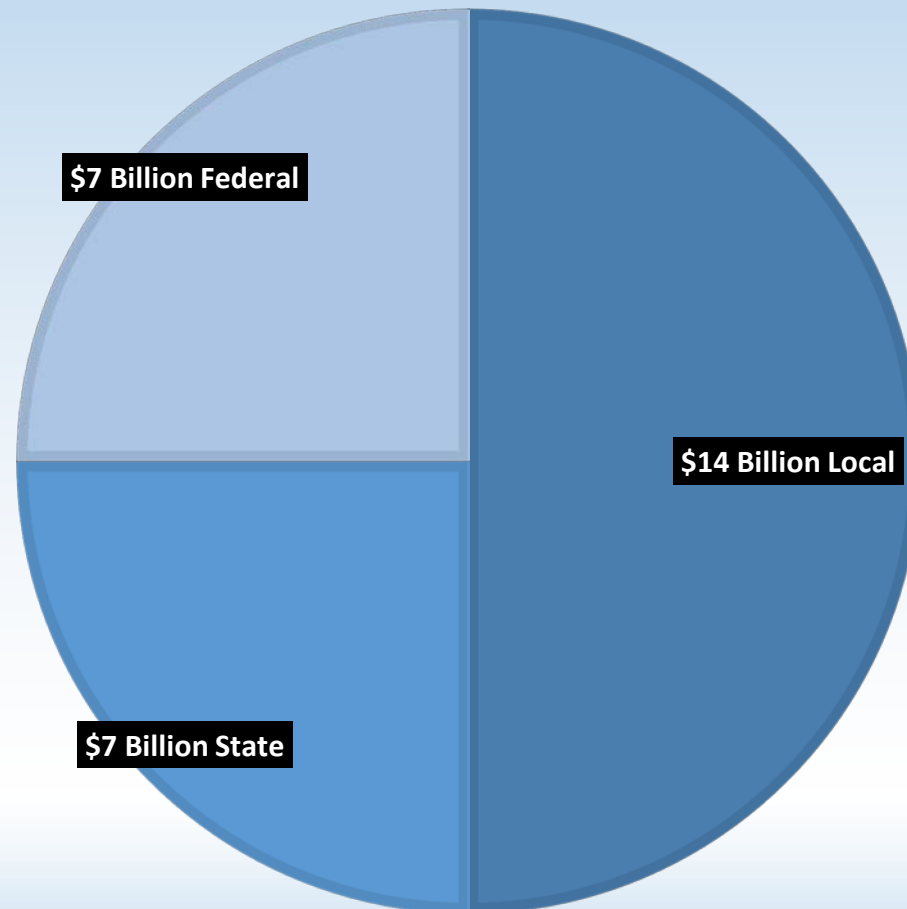
1. Pennsylvania – 68.80 cents per gallon
2. Washington – 62.90 cents per gallon
3. New York – 61.04 cents per gallon
4. Hawaii – 60.75 cents per gallon
5. California – 59.02 cents per gallon

Source: American Petroleum Institute

# FY 2015-16 Estimated Funding for Transportation



**\$28 BILLION TOTAL**



Source: LAO

# California's Revenue Sources for Roads, Bridges, Rail and Transit



- Fuel Excise Taxes
- Sales Taxes on Fuels
- Truck Weight Fees
- Tolls
- Local Sales Tax Programs
- Local Impact Fees
- General Obligation Bonds
- Federal Funding



# California's Current Transportation Funding Situation



**Improvements to our transportation system have not kept pace with demand.**

Challenges:

- Declining gas tax revenue and purchasing power due to vehicle efficiency and inflation
- Increased costs due to deferred maintenance
- Diversion of existing state transportation revenues for non-transportation purposes

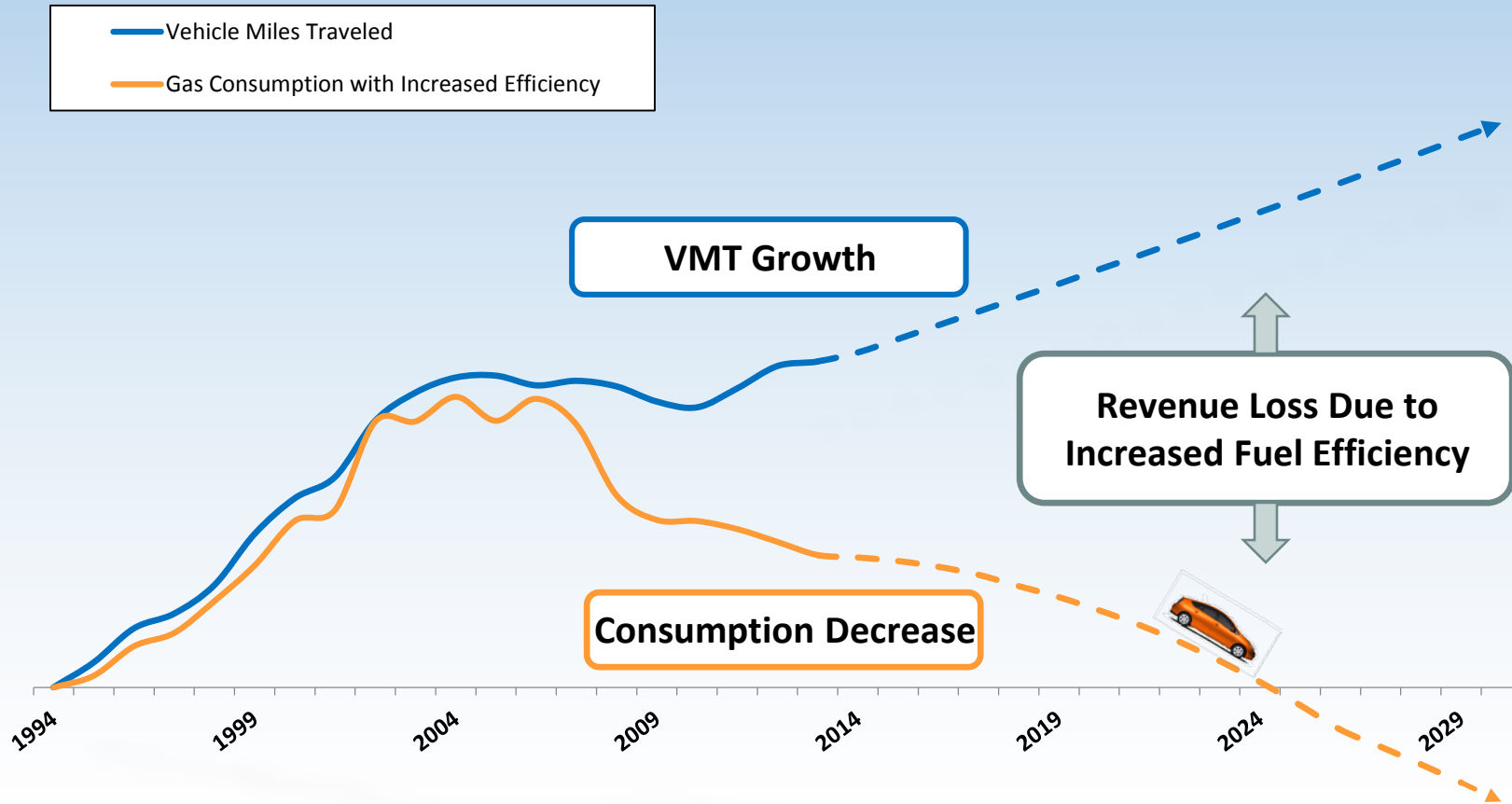
# Results of This Funding Crisis:



- **\$57 billion** ten-year shortfall in system repairs for the existing State Highway System
- **\$78 billion** ten-year shortfall for taking care of our local streets and roads
- A similar lack of investment in rail and transit operators
- Higher costs due to deferred maintenance
- **\$754 million** reduction in the current State Transportation Improvement Program (STIP) – impacting our ability to provide funding for new transportation projects

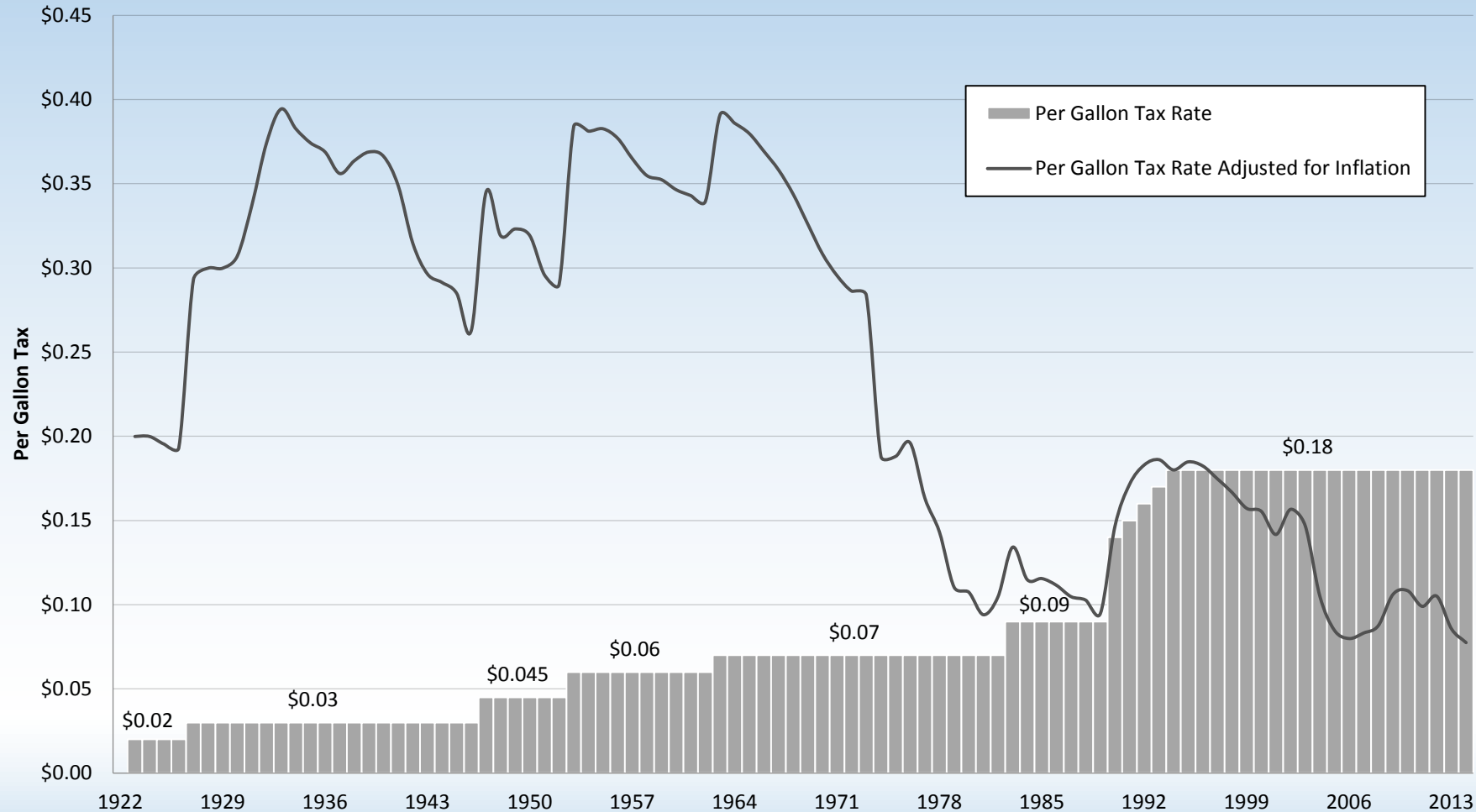


# This Situation Will Continue As: Fuel Efficiency Contributes to Revenue Loss



In this conceptual chart, Vehicle Miles Travelled and Fuel Consumption have been indexed to the same starting point in 1994 to enable comparison of the relative change of the two metrics over time

# History of the Base Gasoline Excise Tax Rate



Source: Board of Equalization. Escalation based on California State Highway Construction Cost Index and Consumer Price Index

# Why are Transportation Projects in California So Expensive?



## Cost of Doing Business

- Labor
- Equipment and Materials
- Design Standards

## State & Federal Regulations

- Environmental (e.g. CEQA)
- Fuel Blends
- Mandates
- Buy America

## Demands on the System

- Overall VMT
- Heavy Percentage of Trucks

## Age of Transportation System

- The State Highway System is over 50 years old, approximately 16% of the pavement is in poor condition.
- 54 of the 58 counties in California have pavement that is at risk or in poor condition.

# Interaction of the Price-Based Excise Tax and Weight Fees



- The Fuel Tax Swap of 2010 eliminated general sales tax on gasoline and created a PRICE-BASED EXCISE TAX
  - Revenue neutral, determined annually by March 1, and is effective July 1 through June 30 of the following year.
  - When gas prices go down, so does the revenue stream
- The WEIGHT FEE SWAP uses commercial vehicle registration fees (weight fees) for debt service on transportation bonds
  - Recovered “off-the-top” of the Price-based excise tax collections.
  - Remaining is split 44% to local roads, 44% to State and Local Capacity improvements, and 12% to Rehabilitation of the State Highway System.

# What is the State Transportation Improvement Program (STIP)?



- ❖ Five-year plan adopted biennially
  - State highway, intercity rail, and regional highway and transit improvements
- ❖ Constrained by available resources (price based excise tax)
- ❖ Regional shares based on north/south split, population & state highway miles
- ❖ Projects must be nominated by a region (RTIP) or Caltrans (ITIP)
  - 25% interregional (Caltrans) / 75% regional (county)
- ❖ Includes new capital projects

# Update to Approved 2016 STIP Assumptions



On May 28, 2015, the CTC approved the assumptions for the 2016 State Transportation Improvement Program (STIP) Fund Estimate.

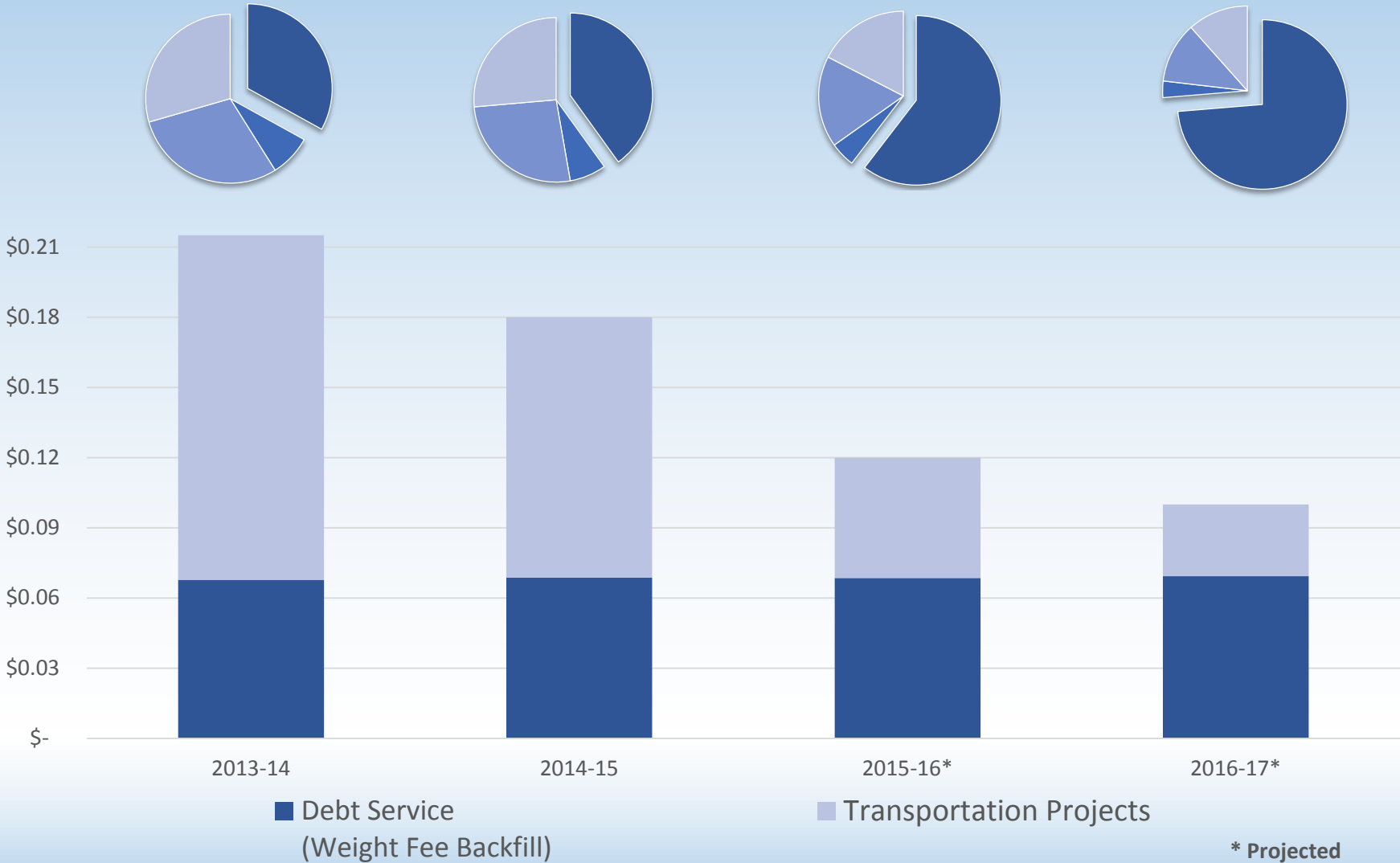
- Revenue assumptions were based in part on Price-Based Excise Tax (PBET) Rate projections by the Department of Finance.

The 2016-17 Governor's Budget reflects a lower 2016-17 PBET Rate than was previously estimated by the Department of Finance.

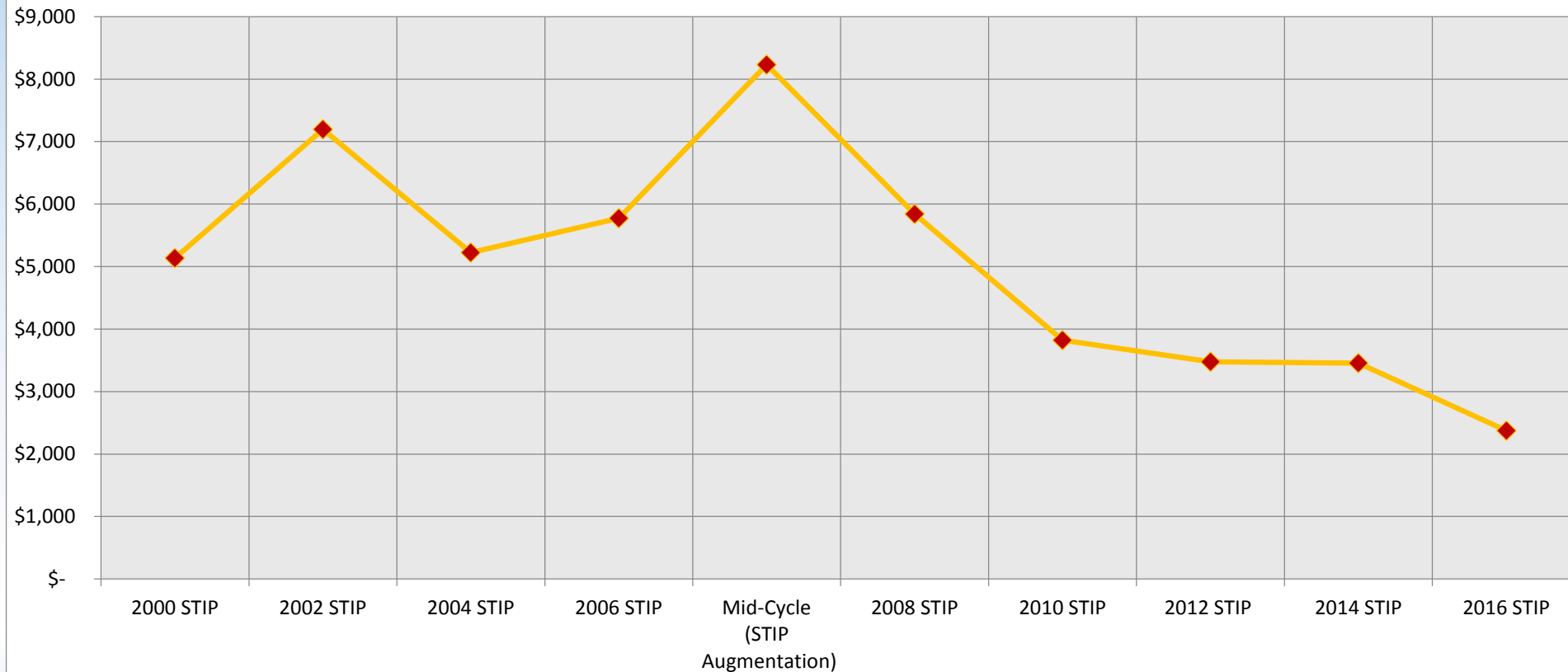
- PBET is the primary revenue source for the STIP.
- Revised PBET Rate scenarios were developed to reflect the projected lower rates over the Fund Estimate period.

# Price-Based Excise Tax

Cents per Gallon, by Fiscal Year

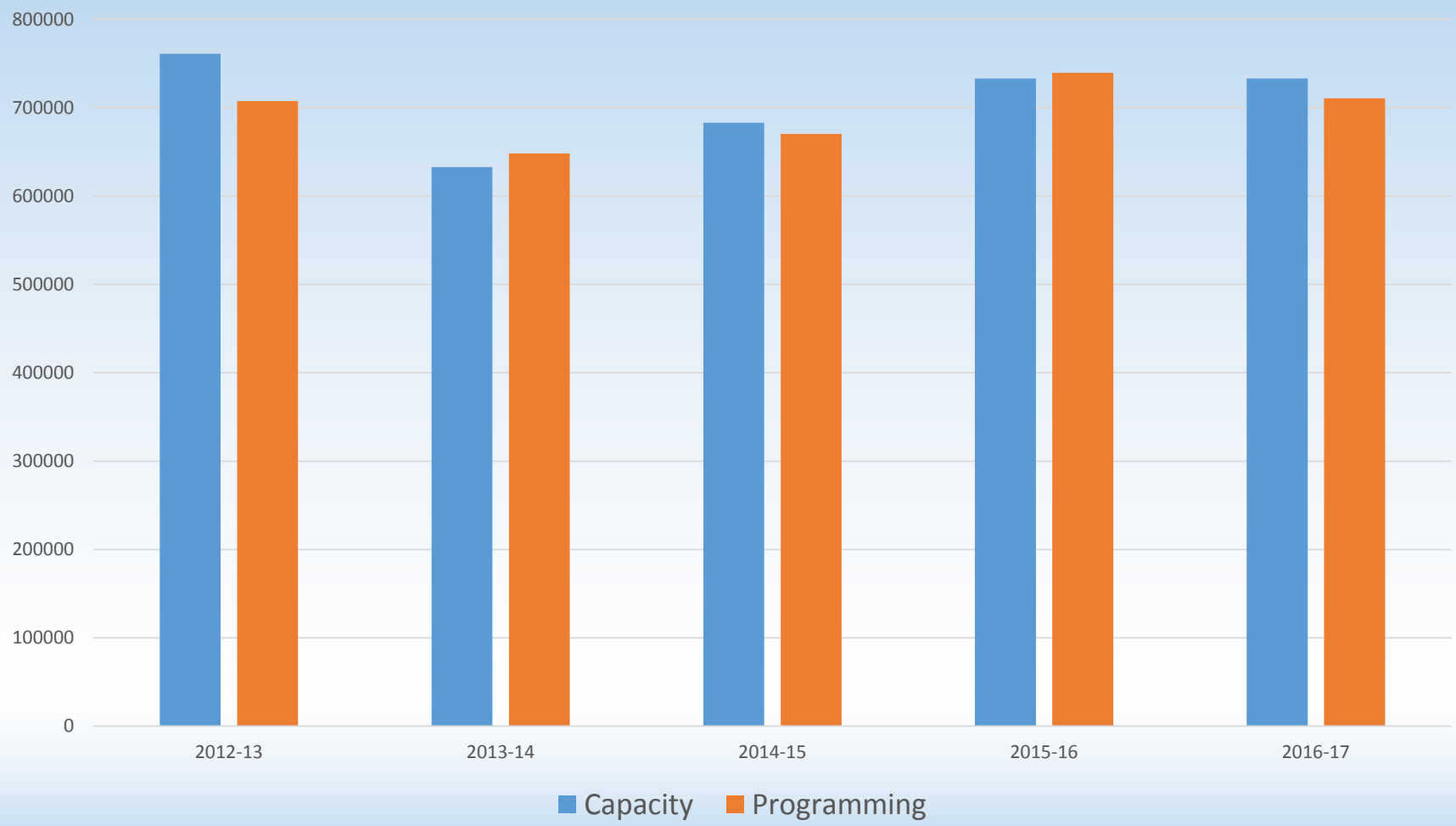


### HISTORIC STIP PROGRAMMING LEVELS

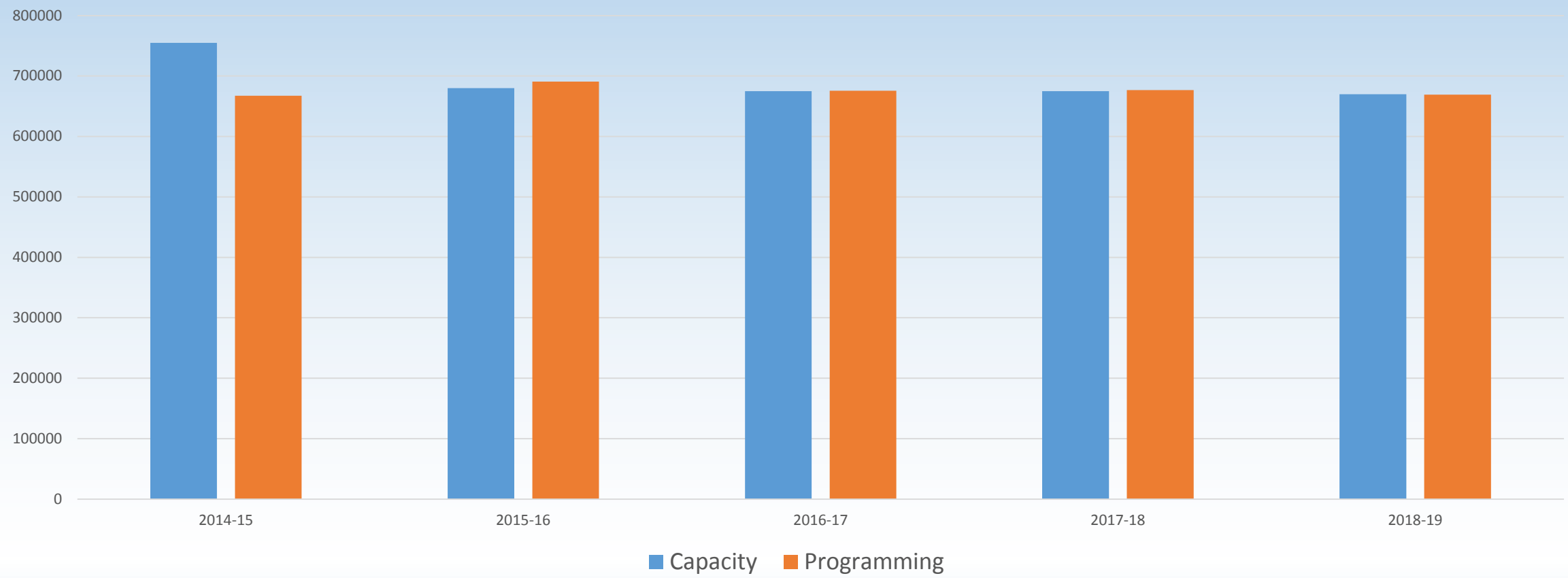




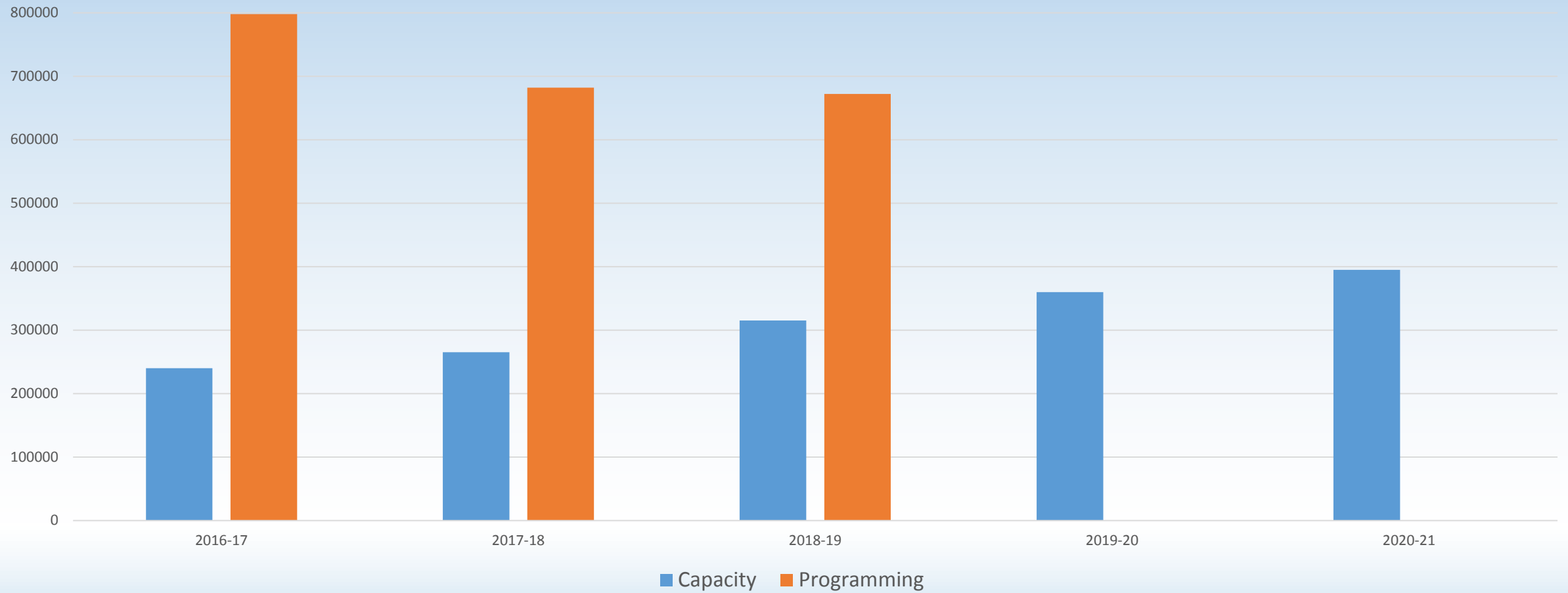
2012 STIP  
(as of June 30, 2012)



2014 STIP  
(as of June 30, 2014)

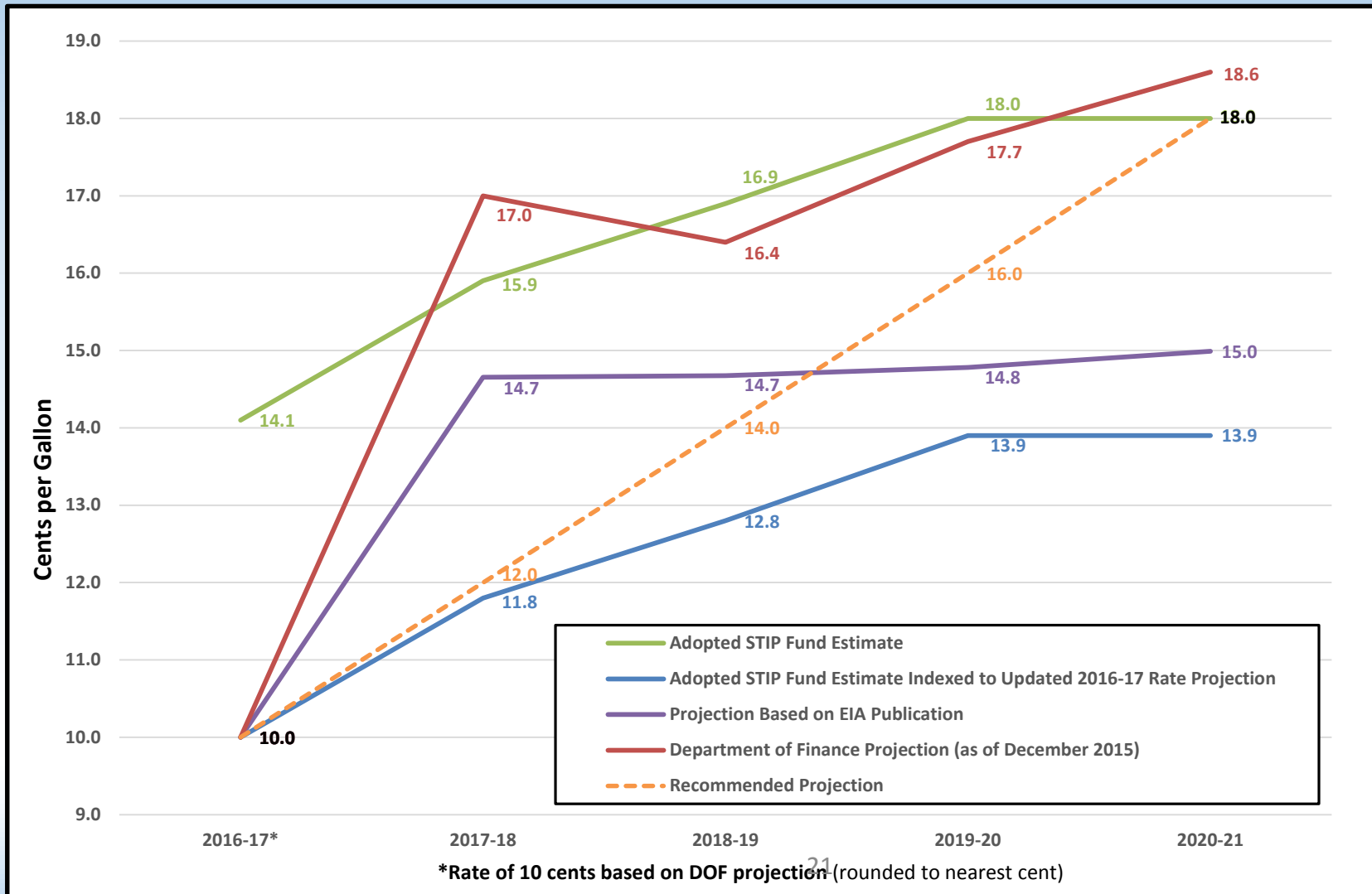


2016 STIP  
(as of Fund Estimate)



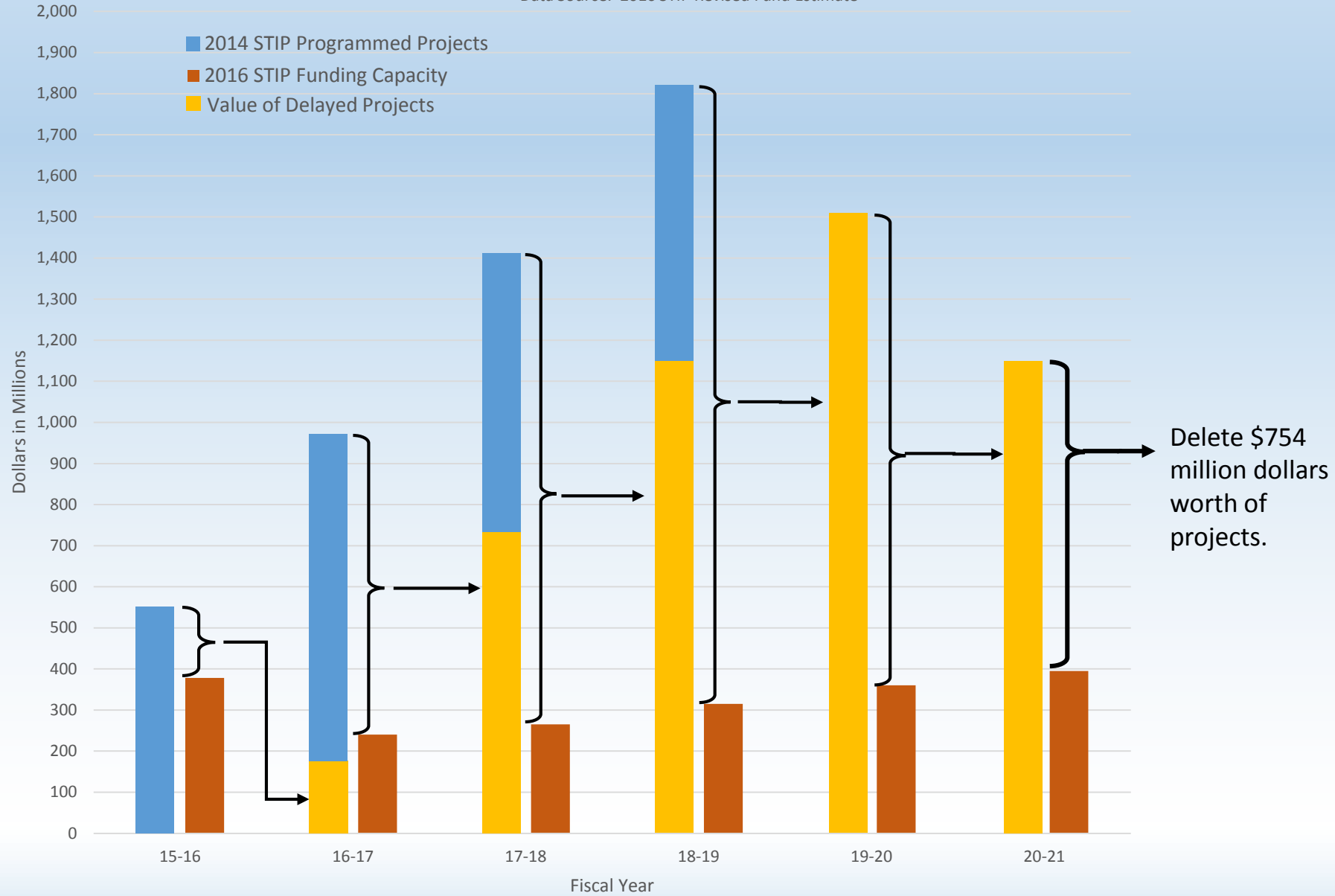
# Latest Projections Call for Further Reductions in the Price Based Excise Tax

# PBET Scenarios - Rates



# Illustrating How a Negative STIP Looks

Data Source: 2016 STIP Revised Fund Estimate



# Short and Long Term Solutions are Needed

New Revenue Must be Accompanied by Reforms:

- Clear dedication of the funds
- Accountability procedures
- Reforms and efficiencies

# Current Transportation Funding Proposals



## **Governor's FY 2016/17 Proposed Budget**

- \$36 billion (over 10 years) to improve the maintenance of highways and roads, expand public transit, and improve critical freight infrastructure.

## **California Senate Bill X1-1 (Beall)**

- \$6 billion annually; of that total, \$5.5 billion would be dedicated for improvements to existing roads and highways and \$500 million to improve freight infrastructure.

## **California Assembly Bill 1591 (Frazier)**

- \$7 billion annually and fund two major initiatives: 1) trade corridor improvements; and 2) road maintenance and rehabilitation.



It's Time to Make  
a Deal!

Thank You