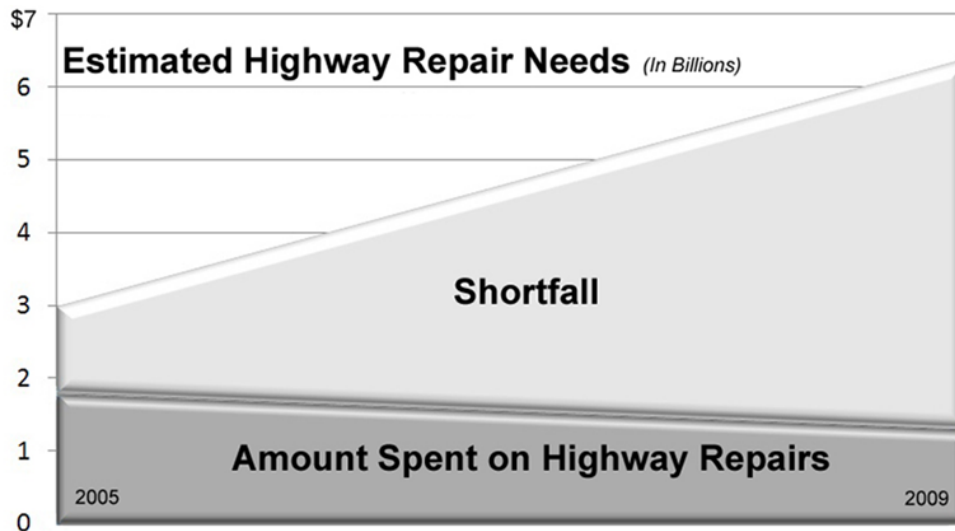


California's Infrastructure Crisis

California's infrastructure is old. The backbone of our transportation system was originally constructed in the 1950s and 1960s. According to the *2011 California Transportation Commission (CTC) Needs Assessment*, 58% of California's roadways require rehabilitation or pavement maintenance; 20% of our bridges require major maintenance or preventative maintenance; and 6% require complete replacement. The CTC predicts that freight moved on California's highways will increase 75% by 2035 which will accelerate the deterioration of the system and the *Legislative Analyst's Office in 2011* estimated the funding for maintenance on California's highways to already be less than 30% of what is required (see below).

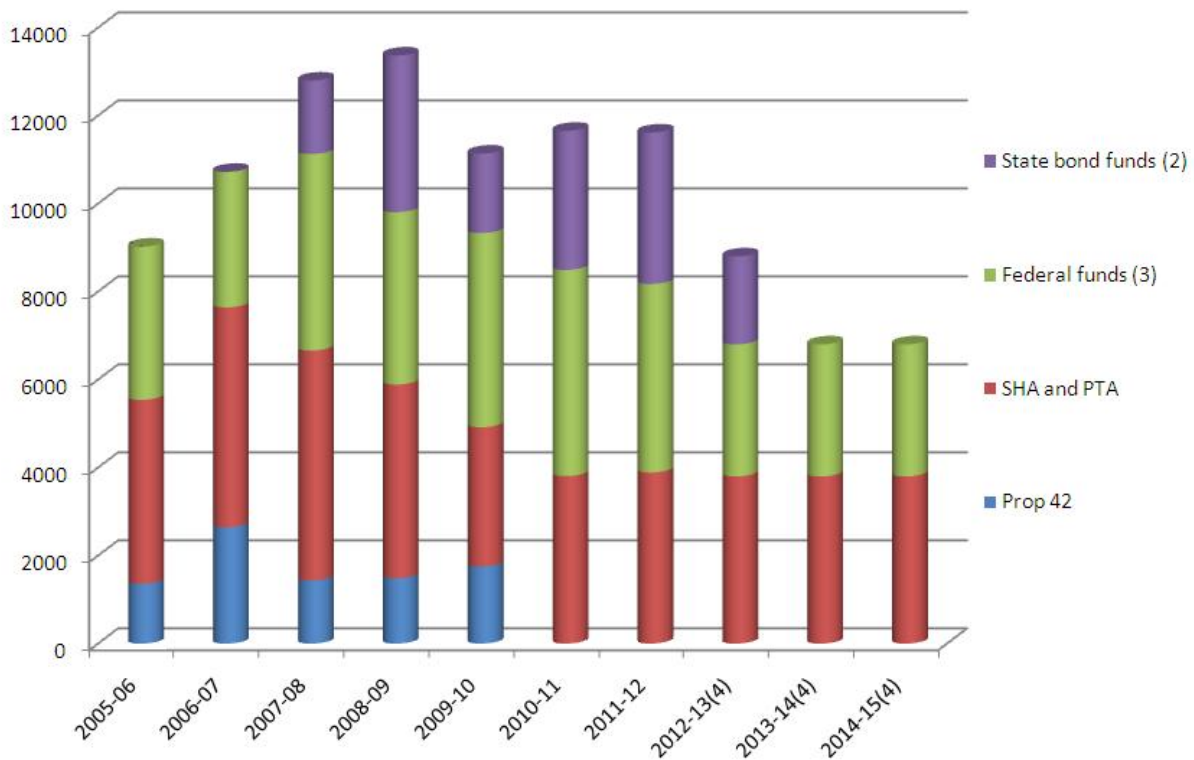


Source: Legislative Analyst's Office, 2011

This is a crisis which will be further exacerbated in December, 2012 and 2013, when the Proposition 1-B Bond funding sunsets (see chart on following page). This loss of funding will compound California's challenge to maintain an aging infrastructure, which is asked to carry more traffic each year. This is not an encouraging picture and reversing this trend will become exponentially more expensive if not addressed immediately.

California deserves a 21st century integrated transportation system. Our ability to attract (and retain) world-class companies to California is becoming increasingly dependent on our ability to deliver a modern transportation system which can efficiently move goods and services around and through our State. **We certainly cannot be considered the Golden State if our citizens and workers are continually dealing with increasing amounts of traffic on an infrastructure that is being neglected year after year.** Fortunately, this does not have to be California's legacy. California is blessed with professional transportation agencies at all levels of government staffed with competent and committed employees. The public and private engineering capacity is in place and the construction capacity to build the transportation system of the future is in the starting blocks. The primary missing ingredient is adequate, reliable funding.

Historical Budget Data, CT Expenditures 2005-06 thru 2011-12 (1)



(1) Source: DOF eBudgets, Summaries - detailed.

(2) Excludes \$4.3 B administered by other agencies.

(3) Reauthorization of Federal Highway Program and related funding pending action by Congress.

(4) Low estimated revenues, Prop 1B exhausted.

Regulatory relief will help. Maintaining and building our integrated 21st century transportation system will require increased user fees, but every dollar saved in the permitting, design and construction phase of a project is equivalent to a dollar in increased funding. **Reforms in CEQA, better alignment of roles and responsibilities for state and local agencies, and the flexibility to outsource design and project management to private engineering firms (particularly in times of peak activity) will allow Caltrans and other transportation agencies to determine sustainable staffing levels and reduce the time and cost of project delivery.** This is critical if we are to be efficient and be considered a State that can get things done.

Managing the maintenance of our infrastructure cannot be properly conducted in a political environment. Our transportation infrastructure should be considered a public utility vital to its users. **Year to year management of the revenue stream to support adequate maintenance of this system should be assigned to a commission such as the California Transportation Commission.** Like the PUC, or other similar oversight commissions, it should be charged, by the Legislature, with the responsibility to assess the level of maintenance and improvements

necessary to achieve prescribed levels of performance. The Commission would also be authorized, within specific limits, to increase specific user fees annually, if necessary, to achieve those performance expectations. This will ensure our transportation system remains functional and able to meet the needs of our citizens and our economy.

There are a host of complicated challenges facing California. Some are highly political and controversial. Many will be difficult to solve. **However, if we can agree that dedicated user fees must be adequate to properly maintain our transportation system, transportation funding should not be one of those unsolvable problems.**

Transportation California (TC) is committed to helping California's decision-makers develop adequate, reliable funding to properly maintain California's existing transportation infrastructure and build a modern, sustainable system. We believe transportation funding should come primarily from fees paid by those who use the system and TC has spent the last two years assessing the attributes and political viability of a variety of revenue producing possibilities. In that regard TC recommends consideration of the following:

- 1. Vehicle License Fee (VLF):** The VLF should reflect the reality that there is a basic cost associated with providing a safe, high quality transportation system. That cost must be recovered from drivers who use the system. **TC believes the VLF should be reinstated to 1.65% of vehicle value and the increased fee should be dedicated to reducing congestion by improving and modernizing of our transportation system through the State Highway Improvement Program (STIP). Raising the VLF to 1.65% will generate approximately \$3.0 billion in new revenue annually and, create 54,000 new construction related jobs (18,000 construction related jobs/\$1 billion invested). TC is currently pursuing legislation to authorize an increase in the VLF.** However, *in deference to the Administration's efforts to increase General Fund revenues through the initiative process in November, TC will withhold introduction of legislation in support of our VLF concept until after the election.*
- 2. Fuel User Fee:** If gasoline and diesel prices remain stable and the economy improves, fuel consumption in California will grow over the next 5-10 years; even if electric car sales grow. The **Fuel user fee (which currently covers less than 50% of the cost to Operate and Maintain California's transportation system) should be increased annually to fund the much-needed deferred maintenance highlighted in the CTC 2011 Needs Assessment.** Existing fuel fees should be indexed for inflation and for improvements in fuel efficiency. Increasing the fuel user fee is squarely in alignment with sound environmental policy and sound energy policy. Increased fuel fees will encourage conservation and penalize drivers of inefficient vehicles. Higher fuel fees will discourage driving in general, relieving pressure on our traditional highway system and encourage greater use of public transportation. It should be clear that the Federal Government has no intention of increasing funding for the maintenance and expansion of the Federal Highway System. If we are serious about improving the condition of our

transportation system in California, higher fuel fees must be a consideration. The State Highway Operation and Protection Program (SHOPP) is the primary source of funding for preservation and safety related projects on the state highway system. The SHOPP expenditures are currently approximately \$1.8 billion annually however, the SHOPP program is woefully underfunded. According to the CTC Needs Assessment, to properly address the preservation of California's Roads and bridges, The Caltrans Maintenance and the SHOPP Program will require annual funding of \$2.8 billion and \$7.3 billion respectively over the next 10 years. **If both the Caltrans Maintenance Program and the SHOPP were fully funded, Caltrans believes 85% of the State Highway System would be in Good to Excellent condition within 10 years.** A one cent increase in the fuel user fee will raise approximately \$160 million annually and costs the average driver approximately \$5.54 per year. Fully funding the SHOPP program would create 99,000 construction related jobs annually.

- 3. Cap and Trade: A portion of Cap and Trade fees generated from burning fossil fuel in cars and trucks should be dedicated to the maintenance and improvement of California's transportation system.** Cap and trade fees could generate more than \$1 billion annually. Cap and Trade revenues could help backfill some of the revenue which will be lost as Proposition 1-B funding sunsets between December 2012 and 2013. Cap and Trade revenue could be dedicated to congestion relief, and the construction of local transit systems as well as the construction of High Speed Rail provided the preservation of California's traditional road system (SHOPP and the Caltrans Maintenance Program) is fully funded through other sources. Cap and Trade revenues of \$1 Billion annually would create 18,000 construction related jobs and would save some of the estimated 81,000 construction related jobs that will be lost as the Proposition 1-B funding sunsets.
- 4. Local Transportation Taxes:** Voters have shown a great willingness to approve taxes to fund local transportation initiatives. The minority should not be allowed to prevent the majority from approving increased fees or taxes to maintain and improve local transportation facilities. **The threshold for approval of local transportation measures should be lowered to a simple majority.** This simple change would enable local government to collaborate with local voters to solve local transportation problems without requiring significant participation or assistance from the state or federal government. TC believes more than \$1 billion in additional transportation funding would be generated if the approval threshold was lowered. For each \$1 billion that is invested, 18,000 construction related jobs will be created.
- 5. Vehicle Miles Traveled (VMT):** An assessment for miles driven, in conjunction with an increased fuel user fee, would begin to raise the money necessary to take California's transportation system into the 21st century. **A simple tolling charge of 1 cent per mile for all miles driven by vehicles registered in California and collected through the annual vehicle registration process would raise approximately \$3.3 billion.** As more sophisticated technology is developed and installed in vehicles over the next decade, a

VMT assessment could be invoiced monthly like any other utility charge. This same technology could be used to assess express lane tolls or special tolls to manage peak traffic periods or manage the traffic flow on highly congested freeways. Implementing a simple VMT charge along with the vehicle registration process would start California moving toward a more sophisticated VMT user fee and traffic management tool. TC believes a VMT charge should initially be combined with an increase in the fuel user fee to address deferred maintenance discussed in 2. *Fuel User Fee*, above. Once maintenance needs are satisfied, a VMT tolling charge should be directed to the STIP to address congestion relief. A one cent VMT assessment would create 59,000 construction related jobs.

6. **Private Investment: Legislation which encourages private investment in transportation facilities, and permits tolling to provide a revenue stream for the benefit of the investor should be considered.** While TC is not necessarily an advocate for tolling California's major freeways, if California cannot generate enough money through statewide user fees to properly maintain its transportation system, tollways in California may become a necessity. If private investment of \$1 billion annually were attracted, 18,000 construction related jobs would be created.
7. **Technology: TC believes California must continue to develop technical transportation advancements which will deliver improved systems operations.** The application and expansion of intelligent transportation systems, vehicle detection capabilities and the ability to provide real time user information to motorists will provide a material benefit in terms of increasing mobility. Technology that can facilitate congestion pricing would be a valuable tool to improve the efficiency of heavily congested facilities.
8. **Performance Based Metrics:** Increased transportation funding should generate a return on investment that can easily be communicated to the general public. **Metrics such as *reduced pavement deficiencies, increased capacity, reduced commute time, etc.*, should be an integral component of all new funding initiatives.**

TC hopes this position paper has highlighted the urgent need for action to address the decay of California's traditional infrastructure and the urgent need to develop a long term investment strategy to build and maintain a modern transportation system that will support a growing economy and make Californians proud. We believe the suggestions detailed in this paper will be important to a comprehensive sustainable transportation solution. **Together, TC's recommended strategies would create 266,000 jobs directly related to construction activities and, according to the Federal highway Administration, each \$1 billion invested in transportation will also induce the creation of an additional 15,000 non-construction related jobs.** We look forward to collaborating with the Brown Administration to rebuild California.