

# WHAT MUST BE DONE THIS YEAR

1. **Stem the blood flow.** Urgency legislation is needed to stabilize extreme fluctuations in the annual BOE adjustment of the price-based state gas excise tax. Wild swings in the annual adjustment make it impossible for state and local governments to budget for a reliable revenue stream to help cover annual maintenance and preservation of the transportation system. A new method of calculation is needed to stabilize the annual adjustment and still respond to market trends in gas prices.
2. **Work with Speaker Atkins and Legislative leaders to increase transportation funding.** The legislative plan outlined by the Speaker would generate \$2 billion/year in additional ongoing funding through a road user charge and payback of money taken from transportation accounts. Although still a work in progress, this proposal demonstrates a solid commitment to achieve a solution.
3. **Identify additional refinements in a legislative funding package.** Increasing and indexing the gas tax, providing bonding capacity against a portion of the new revenue, dedicating a future portion of cap & trade funds generated at the pump to road repaving and rehab, repaying cities and counties for street and road funds held from them are just some of the tools that should be examined as part of a comprehensive transportation funding package.

## THE LONG-TERM SOLUTION

Although it will take several years to implement, the state is beginning a journey towards a user charge that will draw upon all who use the system. The Legislature and the Administration have taken the first step through enactment of SB 1077 calling for the development and implementation of a road usage charge pilot program.



# ROAD TO RUIN

Roads are the bedrock of California's jobs and economy. Everyone — transit riders, bicyclists, pedestrians and drivers — accesses our roads and is affected when they are unsafe or congested. Our road condition is a fundamental indicator of how well California is serving Californians. If we do not address this issue, we are paving our road to ruin.

# WHY OUR STATE AND LOCAL ROADS ARE CRUMBLING

California has more than 50,000 miles of state highways and roads and 143,000 miles of local streets and roads. The primary sources of revenue to maintain, repair and rehabilitate these roads are state and federal gasoline excise taxes.

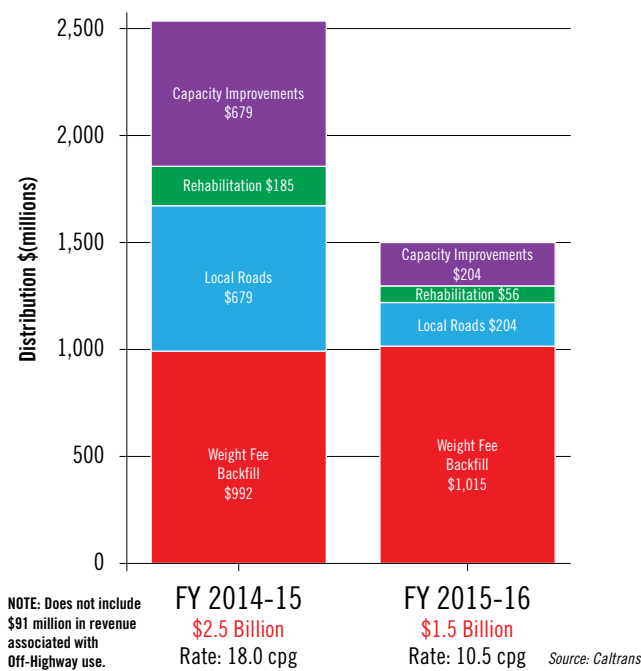
- Neither the state nor federal gas tax has been increased in more than 20 years.
- Gasoline taxes are not indexed for inflation or increases in the cost of construction.
- Increasing fuel efficiency has resulted in vehicles that are traveling more miles on less gas, generating fewer gas tax dollars to fix the roads.
- A growing number of electric cars use the system but pay no tax.
- Due to the recent decline in gasoline prices, the State Board of Equalization will initiate a 6-cent per gallon reduction in the state gas tax on July 1, 2015, slashing transportation funding by another \$868 million annually.
- The Legislature has borrowed or permanently taken more than \$1.8 billion from state and local transportation accounts to cover budget deficits.
- A voter-approved \$20 billion state transportation bond in 2006 enabled the state to make one-time investments in critical projects to reduce congestion, improve goods movement and mass transit, fix unsafe roads and repave major arteries. That program has been successfully delivered. It did not address ongoing deferred maintenance and rehabilitation of thousands of miles of highways, streets and roads.
- To help pay for general fund bond debt service, the Legislature in 2011 approved a complicated “gas tax swap” that took \$1 billion a year in truck weight fees out of the State Highway Fund and directed the money into the State General Fund.

## IMPACT OF THE ‘GAS TAX SWAP’

To help backfill state budget deficits, the Legislature in 2011 passed legislation known as the “Gas Tax Swap,” which eliminated the sales tax on gasoline and replaced it with an equivalent cents-per-gallon gas excise tax of 18 cents. The legislation directed the State Board of Equalization to make an annual adjustment in the new “price based” excise tax to capture the increase or loss in revenue that would have occurred if the state sales tax on gas was still in place. **Because of the recent decline in gasoline prices, the State Board of Equalization has implemented 6-cent per gallon cut in the gas excise tax, resulting in an additional \$868 million annual loss in transportation revenue.**

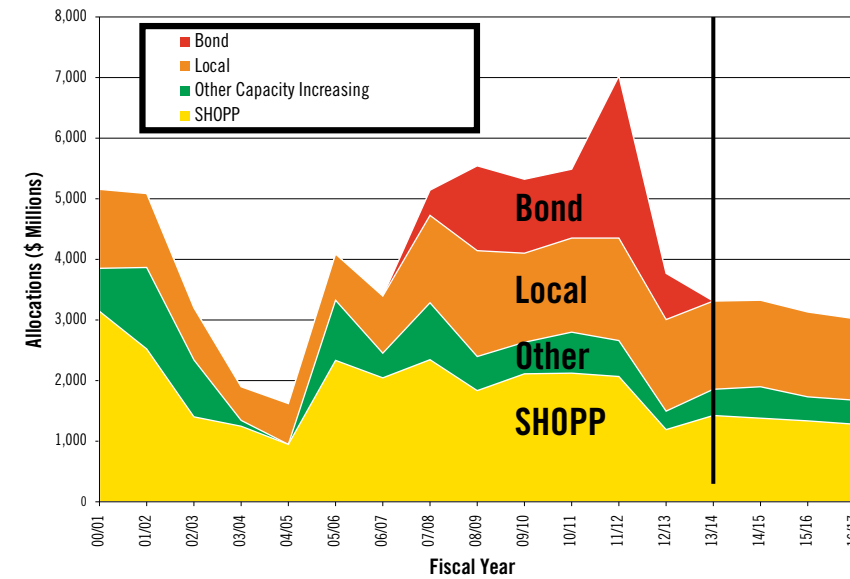
This complicated legislation also increased a portion of the diesel sales tax (while reducing the excise tax on diesel) and dedicated the additional sales tax revenue to the State Transit Assistance program, and it siphoned off \$1 billion annually in truck weight fees to be used for general fund bond debt service.

## PRICE-BASED EXCISE TAX COMPARISON



## DECLINING TRANSPORTATION FUNDING

On-System Construction Allocations and Projected Construction Allocations  
Actual dollars through 2013-14; projected numbers going forward



NOTE: STIP Augmentation included in “Other Capacity Increasing”.

Source: Caltrans

## WEIGHT FEES AND BONDS

- In addition to ongoing revenues from fuel taxes, the state has issued general obligation bonds in order to pay for transportation projects. The largest such bond measure was Proposition 1B (2006), which authorized the state to sell \$20 billion in bonds to finance critical transportation projects throughout the state.
- The debt-service costs on Proposition 1B and other outstanding transportation bonds is currently about \$1.1 billion per year.
- Vehicle weight fees are used to offset most of the debt-service costs on transportation bonds. For 2014-15, the Governor’s budget used all \$958 million in weight fees to pay debt service on transportation bonds.

**The failure to identify new transportation funding following the successful completion of the Prop. 1B program has contributed to the severity of our Transportation Fiscal Cliff.**

## THE PRICE OF NEGLECT

- California has the second-highest share of roads in “poor condition” in the nation.
- Some 58% of state roads need rehabilitation or pavement maintenance.
- Our state has 6 of the 10 cities with the worst road conditions in the nation.
- 55% of local bridges require rehabilitation or replacement.
- Nearly 70% of California’s urban roads and highways are congested.
- Without additional funding, a fourth of local streets and roads will be in failed condition by 2024.

## ADDING UP THE COST

- \$194 billion shortfall by 2021 for preservation and rehabilitation of the current transportation system (2011 Statewide Transportation Needs Assessment).
- \$5.5 billion annual shortfall estimated by Caltrans in its State Highway Operation & Protection Program (SHOPP).
- \$7.8 billion annual shortfall estimated by CSAC & League of California Cities for local street, road and bridge maintenance, repair and rehabilitation.
- Governor Brown has called on the Legislature to help him come up with a funding plan to address the most critical unmet needs.