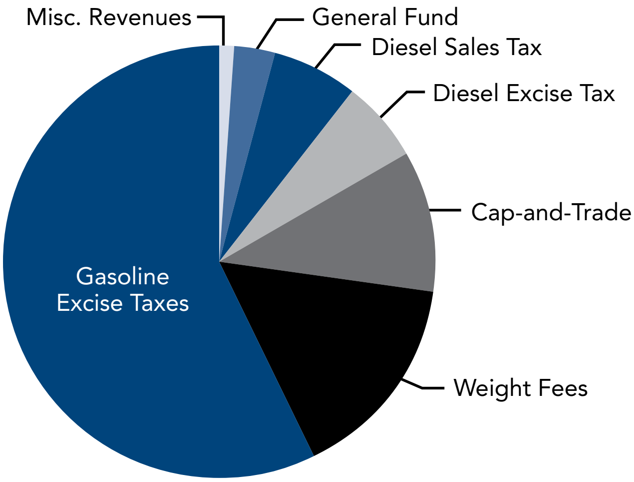
Transportation and Infrastructure Funding

Long-Term Stability, Spending Oversight Important to Keep State Moving

Each year, Californians drive an average of 13,000 miles, increasing the wear and tear on the state's aging roads, highways, and freight routes. Californians use roadways to travel to work and school, vacation at the state's abundant parks and entertainment destinations, and move trillions of dollars of goods through and around the state. California's roads, bridges, freight, and public transit systems require annual maintenance, much of which has been deferred for the better part of a decade. State transportation leaders must tackle a significant backlog of repairs, modernization, and expansion to keep pace with advancements in technology, such as autonomous vehicles and rapid transit, as well as expand roadways to accommodate additional drivers.

STATE SOURCES OF TRANSPORTATION INFRASTRUCTURE FUNDING 2016-2017

Total: $7.2 billion



Source: Legislative Analyst's Office, 2017–18 Budget Transportation Funding Package (February 2017).

THE BASICS

The most recent Needs Assessment by the California Transportation Commission, last updated in 2012, found that 58% of the state's roadways require rehabilitation or pavement maintenance and 26% of its bridges require major or preventive maintenance or complete replacement. The Federal Highway Administration estimates that California will need approximately $70 billion to modernize and fix its highway systems, and another $118 billion to widen its highways to keep up with growth.

California receives approximately $3.5 billion annually from the Federal Highway Administration, mostly from fuel taxes on gasoline and diesel. When surveyed, Californians regularly rank transportation and infrastructure concerns, including traffic congestion and commuting time as issues of high importance, and most support more spending and efficiencies to improve roads, highways, and bridges.

SB 1 SURVIVES ATTEMPTS AT REPEAL

In 2017, the Legislature passed and the California Chamber of Commerce supported SB 1 (Beall; D-San Jose), which increased gasoline and diesel fuel taxes, raising an average of $4.2 billion annually over the next 10 years for much-needed repair and upgrade of California's transportation infrastructure. Opponents qualified a November 2018 ballot measure, Proposition 6, to repeal this tax increase and force statewide votes for any future transportation tax increases.

Voters, heeding the advice of CalChamber, Governor

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Edmund G. Brown Jr., and other state business and political leaders, rejected the measure, maintaining the pace of new spending to repair and improve state roads and highways.

2018–2019 BUDGET

Governor Brown's final budget proposed a total of $22.5 billion from all funding sources for fiscal years 2018–2019, with $13.6 billion for the California Department of Transportation (CalTrans), $2.7 billion for local streets and roads, $2.6 billion for the California Highway Patrol, $1.2 billion for the Department of Motor Vehicles, $1.1 billion for the High-Speed Rail Authority, and $1.3 billion for other transportation programs.

Consistent with Governor Brown's proposal from 2017–2018, the Legislative Analyst's Office estimated that SB 1, along with a $65 increase in vehicle registration, cap-and-trade auction revenues, and early repayment of transportation loans, is expected to initially provide increases in funding of $2.8 billion, increasing to $4.6 billion in 2018–2019 and as much as $6.8 billion annually within 10 years, presuming continued economic trends.

POLICY CONCERNS

Long-term modernization of California's system of roadways and transportation infrastructure requires a long-term plan, given the high costs estimated for repair, modernization, and expansion to accommodate continued economic and population growth. Transportation bills are highly interrelated. For example, the California Legislature in 2018 considered a bill to ban combustion engines in the state by 2040, despite the transportation system being reliant on gasoline excise taxes to fund infrastructure maintenance and expansion.

To that end, as Californians drive ever-increasingly fuel-efficient vehicles, rely more on public transportation, and drive more zero-emission cars, relying on these excise taxes will divorce funding from the actual vehicular use of the roads. The Legislature recognized this phenomenon in 2016, creating an advisory committee (including a member from CalChamber) to develop a new transportation finance system based on miles driven, rather than gallons of fuel consumed. Any new mileage fee would replace the current fuel tax, not add to it. The advantage of such a system would be to assess drivers for exactly how much they use the roads, without regard to how efficient their engines may be or if they use petroleum fuels at all. The committee and state officials are evaluating this new finance regime for possible roll-out after 2020.

California must be cognizant of the interrelationship between funding and vehicle miles traveled (VMT), increase efficiencies in the use of funds, and ensure that sufficient oversight and accountability in the use of funds is maintained while allowing flexibility for technological development and advancement of California's transit system.

LEGISLATIVE ACTIVITY IN 2019

Governor Gavin Newsom and the Legislature should continue funding investments in transportation infrastructure at a similar pace. California should reject fees unrelated to infrastructure improvement or which otherwise make it more difficult for Californians to commute or businesses to move their goods in order to ensure a robust economy.

CALCHAMBER POSITION

The CalChamber supports reasonable and necessary funding to ensure long-term stability of California's roads, bridges, and infrastructure, all of which are necessary to move California-made goods and support the state's vibrant economy. The Legislature should encourage policy that maintains adequate oversight over use of transportation dollars and implements measurable benchmarks and performance-based outcomes for the use of funds.

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