

Subject: FW: Board Agenda



CaliforniaTransit
Association

Funding Update

January 9, 2015

Governor Releases 2015-16 Budget Proposal

Today, Governor Brown released the 2015-16 Proposed Budget. In the transportation area the Governor's Budget identifies a problem more on the "traditional" infrastructure side – **highways, streets & roads, and bridges** – than on the public transportation side of the equation. Specifically, the Budget notes that the Administration has been working toward building a robust, multi-modal, and sustainable transportation infrastructure by advancing high-speed rail and creating new funding programs for transit, bicycling, and walking. "However," says the Budget, "the state continues to face ongoing funding challenges in the tens of billions of dollars for the maintenance and repair of core infrastructure—state highways, roads, and bridges."

In his press conference the Governor referenced a team of Administration members looking at the problem (which we assume includes the stakeholder group run by CalSTA, addressing the California Transportation Infrastructure Priorities process). While he proposes no specific solutions, the Budget addresses the need for this group to identify long-term funding sources, engage stakeholders, and work on a solution. "There is a need and we have to take care of it," said the Governor.

With regard to **public transit**, the Budget notes, "Existing authority for local revenues can, and does, help address local preservation shortfalls for roads and transit. As such, new local-option revenues should also be considered for these investments."

The sales tax on diesel projections contained in the Budget yield the following estimates for the **State Transit Assistance (STA) Program**:

- 2014-15 – The current year projection is now \$ 385,933,362, up about \$6.5 million from the

2014 May Revision estimate of \$379,400,000;

- 2015-16 – The budget year projection is for a \$387,798,000 Program, a less-than-1% increase above the current year estimate.

The Governor's Budget includes **\$1.002 billion in anticipated revenue from Cap and Trade** from four allowance auctions during the fiscal year. The growth in anticipated revenues from 2014-15 is due in large part to the addition of transportation fuels to the Cap and Trade program. Of the anticipated funds, 60 percent was committed for four specific programs as part of last year's budget: 25 percent for high-speed rail; 20 percent for affordable housing & sustainable communities; and 15 percent for transit and intercity rail. The remaining 40 percent is appropriated during the budget process. In 2015-16, the Governor has proposed to once again use this funding for low carbon transportation, energy efficiency & clean energy, and natural resources & waste diversion.

Of the transportation related programs funded through the ongoing allocation of Cap and Trade revenues, there is a steady increase in the amount of funding available to each of the aforementioned programs, as follows:

- Low-Carbon Transit Operations – \$50 million (\$25 million in 2014-15);
- Transit and Intercity Rail Capital Program – \$100 million (\$25 million in 2014-15);
- Affordable Housing and Sustainable Communities – \$200 million (\$130 million in 2014-15); and,
- High-Speed Rail – \$250 million (\$250 million in 2014-15).

The Governor also proposes to once again appropriate \$200 million to Low-Carbon Transportation, a portion of which will be dedicated to zero-emission bus programs.

As noted above, the Budget emphasizes that **annual maintenance and repair needs on the state's highway system** are significantly more than can be funded within existing resources, with a current identified gap in the SHOPP of \$6 billion annually.

In considering **new funding sources**, the Budget says the state must focus funding on the priorities that are the state's core responsibility — maintaining and operating the state's network of highways and interstates, and improving the highest priority freight corridors.

The Governor clearly signals that additional borrowing through bonds would ***not*** be appropriate, not only because the funding gap is an ongoing one, but also because roughly one out of every two dollars spent on bond-funded infrastructure goes to pay interest costs rather than construction costs, and currently 9 percent of total transportation revenues are spent on debt service.

The Budget points to two *existing* efforts to address some of these needs, pointing out that the state has already started to explore new and expanded financing strategies for the state's ongoing maintenance and repair needs, including:

- **Road Usage Charge Pilot Program** — The Budget proposes five positions and \$9.4 million in State Highway Account funding to implement a Road Usage Charge Pilot Program pursuant to Chapter 835, Statutes of 2014 (SB 1077). The purpose of this pilot program is to explore a potential mileage-based revenue collection system, or Road Usage Charge, to support maintenance and operations of California's roads and highways as a possible replacement to the gasoline tax system currently in place. A final report and recommendations, based on the results of the pilot, is due no later than June 30, 2018.

- **Toll Roads** — The state highway system currently includes high-occupancy vehicle lanes, the access to which is limited during rush hours to only those vehicles with two or more passengers. This often leaves unused capacity in these lanes. By converting these lanes to high-occupancy toll lanes and opening these lanes to paying drivers, the state is able to better maximize capacity as well as generate additional revenues. Legislation is proposed that will restore authority for new high-occupancy toll lane projects, including conversions of existing high-occupancy vehicles lanes to toll lanes. This legislation will expand the authority of the California Transportation Commission to approve these lanes.

The budget concludes that “these funding strategies alone are not sufficient to address the state’s ongoing maintenance and repair needs” and states that “the state must consider other funding options to provide for the long-term sustainability of the state’s core highway system.” The solution must address the deferred maintenance needs of the highway system, key freight corridor investments, and include an ongoing pay-as-you-go funding structure that aligns funding with use of the system.

California State Transportation Agency Secretary Brian Kelly subsequently emphasized to us that “***this Budget continues our ‘fix it first’ philosophy.***”

With regard to vehicle weight fees, the Budget notes, “As the state explores options for maintaining state highways and investing in key trade corridors, it is appropriate to consider the weight of vehicles, which is directly related to the wear and tear on the state’s highway system.”

If you have any questions or comments about this Funding Update, please contact Legislative Advocate Matt Robinson at 916-446-4656 ext. 1022 or matt@caltransit.org.

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