

**Meeting Date:** 5/17/2016

**Report Type:** Consent

**Report ID:** 2016-00511

**Title:** Supporting the California League of Cities' 7 Priorities to Provide New Sustainable Transportation Infrastructure Funding

**Location:** Citywide

**Recommendation:** Pass a Resolution urging the State of California to provide new sustainable funding for state and local infrastructure.

**Contact:** Ryan Moore, Principal Engineer (916) 808-6629, Department of Public Works

**Presenter:** None

**Department:** Public Works Department

**Division:** Office Of The Director

**Dept ID:** 15001011

**Attachments:**

01-Description/Analysis

02-Attachment 1-Background

03-Attachment 2-LAO Overview of Highway Road Programs and Funding

04-Attachment 3-City of Sacramento 2013-14 Pavement Quality Report

05-Attachment 4-2014 Local Streets and Roads Needs Assessment Executive Summary

06-Attachment 5-Comparison of Transportation Funding Proposals

07-Attachment 6-Senate GOP Transportation Plan

08-Attachment 7-Assembly GOP Transportation Plan

09-Attachment 8-Fix Our Roads Coalition Letter

10-Resolution

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**City Attorney Review**

Approved as to Form

Gerald Hicks

5/10/2016 9:53:57 AM

**Approvals/Acknowledgements**

Department Director or Designee: Jerry Way - 4/28/2016 8:51:42 AM

## **Description/Analysis**

**Issue:** In recent years there has been a drastic reduction in the availability of transportation infrastructure funding due to a variety of factors at the local, state, and federal levels. The result has been a very large backlog of unfunded capital and maintenance needs and serious limitations on the City's ability to participate in federal grant programs due to a lack of local match funding.

This infrastructure funding shortfall is typical of other local government agencies in the state. The California League of Cities is encouraging cities to adopt local resolutions that urge the state to provide new sustainable funding for state and local transportation infrastructure.

**Policy Considerations:** The first eight goals in the Mobility Chapter of the 2035 General Plan direct the City to build, operate, and maintain transportation facilities:

- Goal M1 – Circulation System
- Goal M2 – Walkable Communities
- Goal M3 – Public Transit
- Goal M4 – Streets and Roadways
- Goal M5 – Bikeways
- Goal M6 – Parking
- Goal M7 – Goods Movement
- Goal M8 - Aviation

In the policies articulated under these eight goals, concepts such as “develop”, “Implement”, “manage”, “construct”, and “maintain” are ubiquitous. All of these activities require substantial funding.

The final Goal, M9 – Transportation funding, specifically directs the City to develop “new locally controlled transportation funds for the construction, maintenance, management, and operation of the transportation system.”

**Economic Impacts:** None

### **Environmental Considerations:**

**California Environmental Quality Act (CEQA):** CEQA only applies to projects that have the potential for causing a significant effect on the environment. The requested action is not a project under CEQA.

**Sustainability Considerations:** The recommended action supports the Climate Action Plan goal to create a connected multi-modal transportation network that increases the use of sustainable modes of transportation (e.g., walking, biking, transit) and reduces dependence on automobiles.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** May 16<sup>th</sup> through May 22<sup>nd</sup> is the National League of Cities (NLC) Infrastructure Week. NLC sponsors Infrastructure Week as a way to build awareness about the importance of transportation infrastructure in American Cities.

The last two federal transportation funding authorization bills, MAP-21 (2012) and FAST Act (2016) failed to provide infrastructure funding at levels which were predictable or adequate to address maintenance or capital infrastructure needs. Both bills also failed to address the structural problems with federal transportation infrastructure revenue, relying largely on deficit spending and one time fund sources.

At the state level, changes in distribution of California gasoline tax and vehicle weight fees, diverted significant local transportation infrastructure revenue away from local agencies to the state.

In the meantime, unfunded transportation infrastructure needs in the City of Sacramento, particularly maintenance needs, have grown to alarming levels. Many local agencies around the county have begun to advocate for increased local transportation infrastructure revenue at the State level. The subject resolution allows the City of Sacramento to take part in that movement and clearly communicate the City's position to State policymakers.

**Financial Considerations:** None.

**Local Business Enterprise (LBE):** Not applicable as any goods or services will be purchased.

## **Background**

On June 16, 2015 Governor Edmund G. Brown called a special legislative session dedicated to fixing California's roads and highways. The Governor's January 2015 budget proposal hinted at the Governor's desire to address the need for greater transportation infrastructure investment and as the budget deal came together by June no major work had been completed toward this goal. The Governor's June 16, 2015 special session proclamation states that "California faces considerable challenges in its ability to fund crucial maintenance and repair of its core transportation infrastructure—state highways, local streets, roads and bridges—and current resources do not adequately support the maintenance of this vast system." For these reasons the Governor called for the convening of the legislature in extraordinary session to "enact pay-as-you-go, permanent and sustainable funding."

### **Where Does Transportation Infrastructure Funding Come From?**

The FY 2015-16 state budget includes \$5.6 billion in state transportation revenues for state highways and roads. According to the Legislative Analyst's Office (Attachment 2), about 75 percent of the \$5.6 billion comes from state excise taxes on gasoline. The remaining 25 percent comes from an excise tax on diesel fuel and from vehicle weight fees. There are two state excise taxes collected on regular fuel, the state base excise tax and state variable excise tax. The state collected base excise tax is set at 18 cents per gallon, which in FY 2015-16 generated \$2.5 billion. One-third, or about \$800 million in FY 2015-16, of this funding is allocated to cities and counties for local streets and roads.

The state also collects a variable excise tax on gasoline. The Board of Equalization (BOE) is responsible for setting the rate for this tax. The FY 2015-16 rate is 12 cents per gallon, down from 18 cents per gallon prior to the great recession. The BOE took action on February 26, 2016 to lower the excise tax for a third consecutive year by 2.2 cents. This reduction in excise tax is projected to be an approximately \$5.5 million, or 36% loss to the City of Sacramento in FY 2016-17 compared to pre-recession levels. This revenue is the primary source of funding for the City's overlay and road maintenance program, as well as several traffic safety programs.

The first \$1 billion in state variable excise tax goes to backfill a loss of weight fee revenue and is deposited in the State Highway Account (SHA). This amount is expected to grow for the foreseeable future to \$1.24 billion in FY 2016-17 and \$1.67 billion by FY 2019-20. The remaining revenue is allocated between cities and counties (44 percent), State Transportation Improvement Program (STIP) (44 percent) and State Highway Operation and Protection Program (SHOPP) (12 percent). Diesel fuel is also taxed. A

sales tax of 6.5 percent is collected and the state and federal governments also charge an excise tax of 13 cents and 24.4 cents respectively. The state collected diesel excise tax is variable and set by the BOE and will generate about \$440 million in FY 2015-16. Six cents of this tax is allocated to cities and counties and the rest goes to the state.

Finally, weight fees are also charged by the state and these fees generate about \$1 billion annually. The Brown Administration has used these weight fees to backfill ongoing debt-service payments of \$1.3 billion on transportation general obligation bonds.

Revenues for local streets and roads are also generated locally by voter-approved sales tax measures. Sacramento County voters approved Measure A in 1988, which created the Sacramento Transportation Authority (STA) and imposed a countywide one-half percent sales tax to be levied over twenty years. This approved Measure A revenue is used to fund Sacramento County regional transportation project needs. STA placed “New” Measure A on the ballot in 2004 to renew the one-half percent sales tax gaining more than seventy-five percent voter approval. Measure A is expected to generate about \$111 million countywide in FY 2015-16.

### **Overview of State and Local Infrastructure Needs.**

Funding shortfalls for transportation infrastructure investments are vast at both the state and local level. According to the Ten-Year State Highway Operation and Protection Program Plan (SHOPP Plan) State Highway System (SHS) needs annually equate to \$8.2 billion for rehabilitation and maintenance of the state system. Only about \$2 billion of this annual need is funded, leaving a \$6 billion funding hole at the state level every year contributing to the decline of the SHS.

The California Local Streets and Roads Needs Assessment (Attachment 4) is conducted biennially and identifies local transportation infrastructure funding needs. The needs assessment finds that local streets and roads—making up 81 percent of the state’s roads—“are rolling toward a cliff’s edge” with the statewide average Pavement Index pegged at 66, putting California’s local streets and roads in the “at risk” range. To be in “good” standing, the Pavement Index would have to fall in the 71-100 range and for “poor” conditions the range is 0-49. The assessment demonstrates that it costs more to fix roads that are in disrepair than infrastructure that is maintained regularly. The assessment finds that \$7.8 billion dollars annually for ten years would be required to bring the local system back into a cost-effective condition and eliminate the local maintenance backlog. Local governments are receiving far less funding than is needed to maintain current infrastructure conditions, putting the condition of local streets and roads in further decline. To maintain the existing at-risk condition, cities and counties

need \$3.3 billion per year, but are receiving far less. The \$1.66 billion local governments receive annually is simply inadequate and is propelling cities and counties' streets and roads toward poor status.

The State estimates that for every one billion dollars the state spends on highway/road repairs, 13,000 to 15,000 new jobs are created. The reduction in spending therefore has economic ramifications throughout the state.

The gas tax decline has also led to significant reductions in funding for capital transportation projects. In January, the California Transportation Commission cut \$754 million in local infrastructure projects that had been included in the five-year State Transportation Improvement Program (STIP). According to the CTC, every one cent drop in gasoline tax revenues takes \$140 million dollars in STIP funding.

### **City of Sacramento Transportation Infrastructure Conditions and Funding Needs.**

The most recent City of Sacramento pavement condition assessment from FY 2013-14 is included as Attachment 3. The City's current total maintenance pavement backlog is approximately \$150 million. The current adopted policy targets an average citywide Pavement Index of 75 which would indicate a street in "good" condition. The current street network average Pavement Index is 61 which represents a street in "fair" condition. There are 345 lane miles (11% of total) of City streets that have a Pavement Index of less than 40, indicating pavement that has failed and must be partially or completely removed and reconstructed. At current funding levels, 89% of the City's street network will fall below the target goal of 75 by 2024.

The City of Sacramento's Transportation Capital Improvement Program (CIP) had remained modestly stable during the three decades preceding the great recession. During this time the availability of approximately \$8 million to \$12 million in "Old" Measure A revenue made it possible to leverage federal grant programs which funded the majority of the Transportation CIP. The structure of New Measure A, which went into effect in 2009, earmarked funds for many large scale regional projects, but almost completely eliminated purely discretionary transportation funding, leaving only smaller semi-discretionary programs for bicycle & pedestrian and traffic safety programs.

Two factors kept this extremely significant loss of discretionary transportation funding largely hidden from view: (1) a large influx of one time funds from California Proposition 1B and the federal American Recovery and Reinvestment Act, and (2) the fact that large federal infrastructure projects take years to complete, meaning that projects in construction today were funded several year ago. Without this flexible and sustainable funding source, the City's Transportation CIP will be much smaller in the future and the

type of large transformative projects we've become accustomed to, such as the Arden-Garden connector, the 7<sup>th</sup> Street extension, the Tower Bridge Sidewalks, the Consumnes/I-5 interchange, and the I Street Bridge over the Sacramento River, will not be possible.

### **State Legislative Proposals.**

The transportation funding shortfall at the federal, state and local levels is widely acknowledged and is one of the reasons Governor Brown has declared it a priority by calling a special session to find solutions that address this critical need. Since calling the special session in June 2015, several legislative proposals have been introduced, including a proposal from Governor Brown. Attachment 5 is a comparison prepared by the California State Association of Counties (CSAC) of three proposals with legislative language: 1) Governor Brown's; 2) SBX1 1; and, 3) AB 1591.

- ***Governor Brown's Proposal.*** The Governor proposes for FY 2016-17 \$36 billion over 10 years to improve the maintenance of highways and roads, expand public transit, and improve critical freight infrastructure. Specifically, this proposal raises between \$3.25 and \$4.24 billion annually over 10 years toward transportation funding by:
  - Increasing the diesel excise tax by 11 cents and future adjustments for inflation;
  - Eliminate the complex rate-setting process for the price-based excise tax on fuel and instead set the rate at 18 cents and index the rate to inflation beginning in 2018;
  - Creating the "Road Access Charge" of \$65 per vehicle annually;
  - Allocating cap-and-trade auction proceeds to transportation projects that ease congestions; and,
  - Implementing California Department of Transportation (Caltrans) reforms.
  
- ***Special Session, SBx1 1 (Beall).*** Senate Bill 1 in the Extraordinary Session (SBx1 1) is authored by Senator Jim Beall (Attachment 5). According to the California State Association of Counties, amendments are expected on this proposal, but details are not available at this time. Currently, this measure is intended to be a comprehensive solution to the funding shortfall of transportation infrastructure. Senator Beall, in a Senate Transportation and Infrastructure Development Committee hearing, stated that the bill will provide a "much needed funding plan to address the backlog of infrastructure needs." The proposal raises \$6 billion toward transportation funding by:

- Increasing the gasoline excise tax by 12 cents and future adjustments for inflation;
- Increasing the diesel excise tax by 22 cents and future adjustments for inflation;
- Eliminate the complex rate-setting process for the price-based excise tax on fuel and instead set the rate at 17.3 cents and index the rate to inflation beginning in 2018;
- Creating the “Road Access Charge” of \$35 per vehicle annually;
- Increasing the vehicle registration fee by \$35 per vehicle annually;
- Adding an additional \$100 fee for zero-emission vehicles; and,
- Implementing Caltrans reforms.

The revenues generated from these tax increases and new fees would be split equally between the state and local governments and deposited into the Road Maintenance and Rehabilitation Program, a new fund established by the bill. Most of the new revenues must be spent on road maintenance, rehabilitation and safety projects. According to a Senate Transportation and Infrastructure Development Committee analysis, the funding is constitutionally protected, must be used for transportation purposes, and cannot be borrowed by the Legislature.

- **Regular Session, AB 1591 (Frazier).** Assemblymember Jim Frazier, Chair of the Assembly Committee on Transportation, introduced AB 1591 on January 6, 2016. The bill proposes to raise \$7 billion annually and fund two major initiatives: trade corridor improvements and road maintenance and rehabilitation. The proposal raises \$7 billion toward transportation funding by:
  - Increasing the gasoline excise tax by 22.5 cents and future adjustments for inflation;
  - Increasing the diesel excise tax by 30 cents and future adjustments for inflation;
  - Eliminate the complex rate-setting process for the price-based excise tax on fuel and instead set the rate at 17.3 cents and index the rate to inflation beginning in 2018;
  - Increasing the vehicle registration fee by \$38 per vehicle annually;
  - Adding an additional \$165 fee for zero-emission vehicles; and,
  - Allocating cap-and-trade auction proceeds to transportation projects that ease congestions.
- **Senate GOP Caucus.** The Senate Republican Caucus unveiled its transportation investment plan on May 28, 2015 (Attachment 6). The plan calls for increasing funding for transportation infrastructure by \$2.9 billion annually with an additional \$2.4 billion in one-time funds. This funding would come from the following sources:

- End the diversion of more \$1 billion in transportation taxes every year. Spend this money on roads, highways and bridges.
  - Repay all outstanding transportation loans to the General Fund and direct that money to transportation improvements.
  - Make significant efficiency improvements at the State Department of Transportation.
  - Direct money from Cap and Trade funds that are related to fuel – about \$1.9 billion this year alone – to fixing roads.
- **Assembly GOP Caucus.** The Assembly Republican Caucus announced on June 29, 2015 its \$6.6 billion nine-point plan to “fund transportation infrastructure and fix our roads with existing resources” (Attachment 7). The plan calls for dedicating existing revenues to transportation such as, cap-and-trade, vehicle weight fees, and the Governor’s strategic growth fund. The proposal also suggests eliminating 3,500 Caltrans positions believed to be redundant as well as other specified vacant state positions. Finally, the proposal suggests that \$1 billion come from the state General Fund.

### **Stakeholder Positions.**

*Fix our Roads* is a broad coalition of transportation stakeholders including local governments, business, labor and transportation advocates. CSAC and the League of California Cities (League) are members of this coalition and are advocating “a responsible, accountable solution to fix our roads” (Attachment 8). The group has coalesced behind seven priorities: 1) making a significant investment in transportation infrastructure; 2) maintaining and rehabilitating the current system; 3) investing a portion of the diesel tax as well as cap-and-trade revenue to high-priority goods movement projects; 4) raising revenues across a broad range of options; 5) fifty-fifty split of transportation revenues between state and local governments; 6) assurances that taxpayer dollars will be spent responsibly; and, 7) more consistent funding levels.



July 6, 2015

# Overview of State Highway and Road Programs and Funding

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LEGISLATIVE ANALYST'S OFFICE

Presented to:  
Assembly Transportation and Infrastructure Development  
Committee  
Hon. Jim Frazier, Chair





## Major State Highway and Road Programs

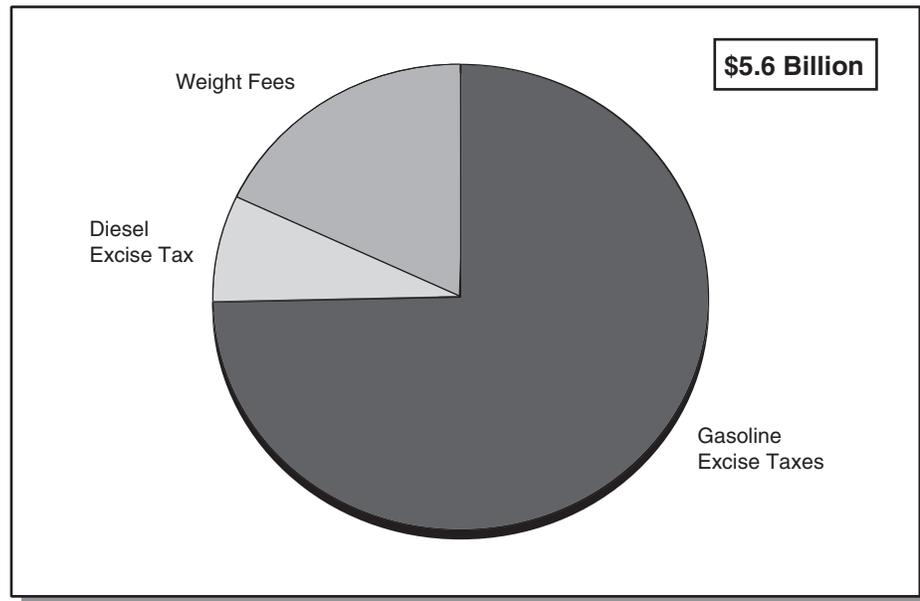
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- Highway Maintenance Program.** The Highway Maintenance program employs state staff who perform routine maintenance and minor repairs to the state's highway system. The program also contracts with private construction companies for maintenance projects, such as installing thin overlays to protect pavement. The 2015-16 budget includes about \$1.4 billion for the program from state funds, including \$1.1 billion for routine maintenance and \$232 million for maintenance projects.
- State Highway Operation and Protection Program (SHOPP).** The Department of Transportation (Caltrans) administers the SHOPP, which is a program of capital projects to reconstruct and improve the safety of the state's existing highway capacity. Caltrans estimates that it will allocate about \$2.3 billion in transportation revenues to SHOPP in 2015-16, including about \$1.5 billion in federal funds and about \$800 million in state funds.
- State Transportation Improvement Program (STIP).** The STIP is the state's program to expand the capacity of regional and interregional transportation systems. Program funding is allocated 75 percent to counties for regional transportation priorities and 25 percent to Caltrans for interregional projects. For 2015-16, formulas established in state law provide about \$300 million for STIP.
- Local Streets and Roads.** The state also provides funding to cities and counties for their local streets and roads. For 2015-16 estimated funding for local streets and roads is \$1.4 billion.



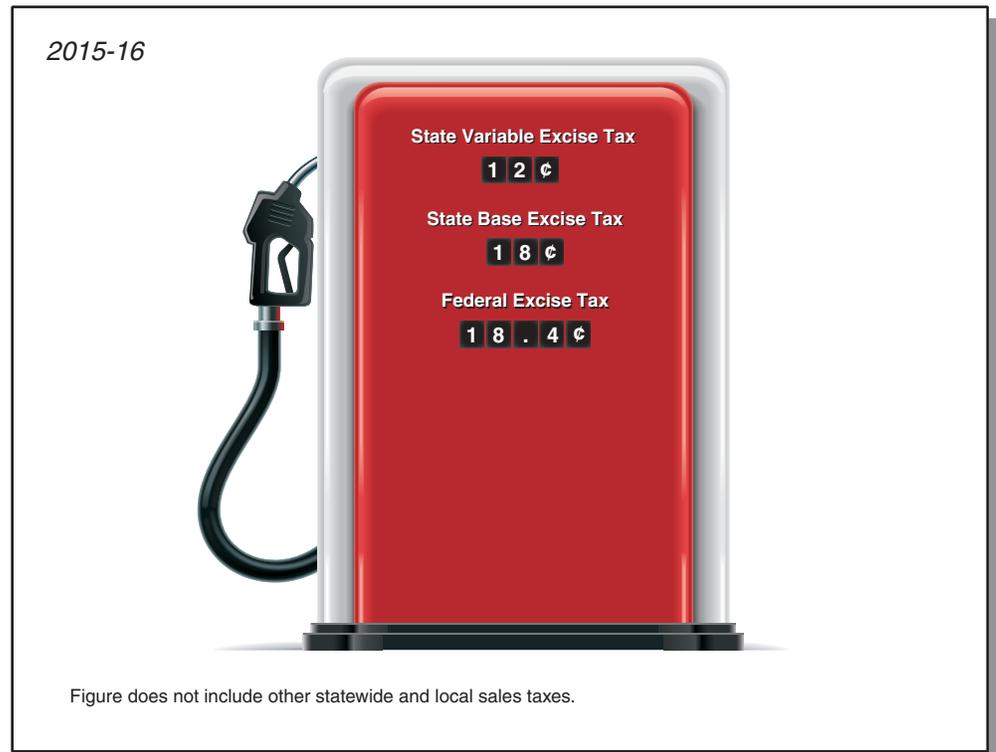
## State Revenues for Highways and Roads 2015-16

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- The 2015-16 budget includes an estimated \$5.6 billion in state transportation revenues for highways and roads.
- About three-fourths of this funding comes from state excise taxes on gasoline. The remaining one-fourth comes from an excise tax on diesel fuel and from vehicle weight fees.

## Gasoline Excise Taxes: Revenues



### State Base Excise Tax Revenue

- The state collects a base excise tax of 18 cents per gallon of gasoline. In 2015-16, this tax is estimated to generate about \$2.5 billion.



### State Variable Excise Tax Revenue

- The state also collects a variable excise tax on gasoline, the rate for which is set annually by the Board of Equalization (BOE). The BOE has set this rate at 12 cents per gallon in 2015-16, which is estimated to generate about \$1.7 billion in revenue.



## Gasoline Excise Taxes: Uses



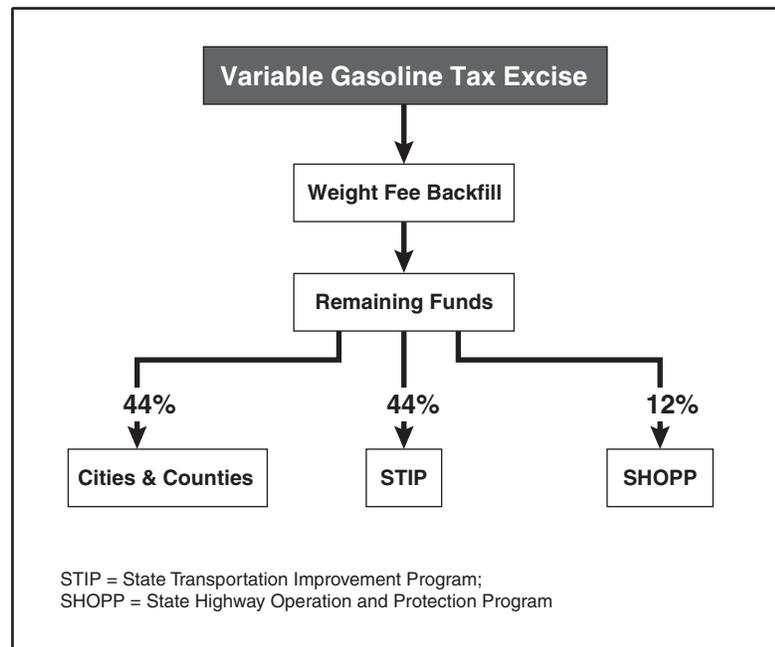
### State Base Excise Tax Uses (18 Cents)

- Two thirds of this revenue is deposited into the State Highway Account (SHA), amounting to about \$1.7 billion in 2015-16. The SHA funds the Highway Maintenance program, SHOPP, and Caltrans administration.
- One third is allocated to cities and counties for local streets and roads, amounting to about \$800 million in 2015-16.

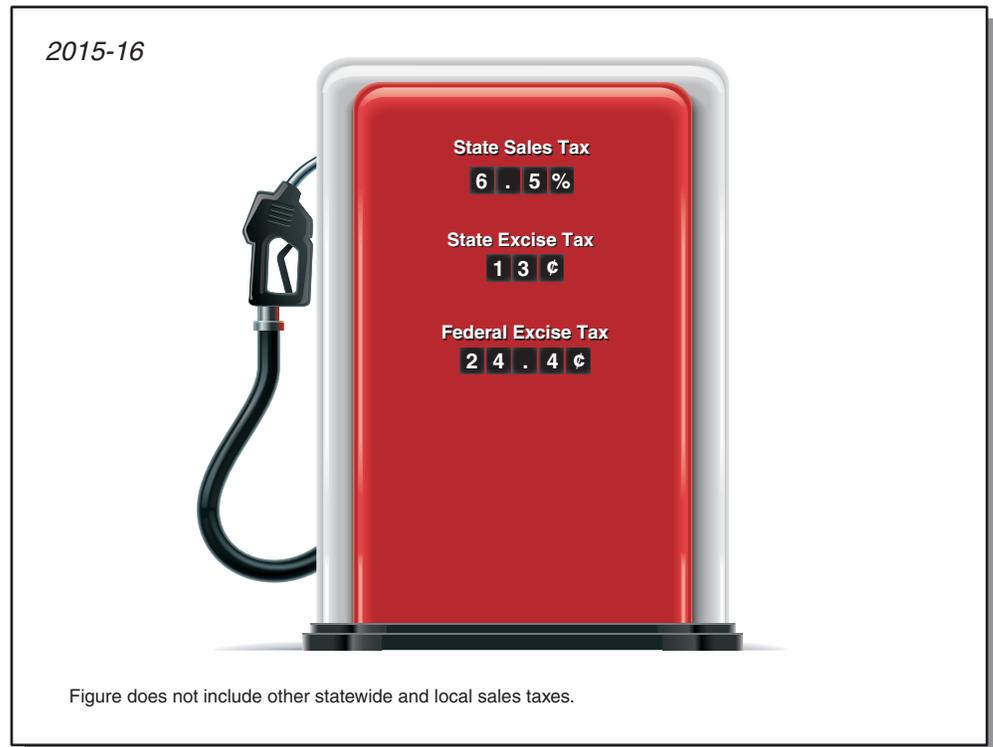


### State Variable Excise Tax Uses (12 Cents)

- The first \$1 billion of this is deposited in the SHA to backfill the loss of weight fee revenue, as discussed later. Of the remaining revenue, 44 percent is allocated for local streets and roads, 44 percent for the STIP, and 12 percent for SHOPP, as shown in the figure below.



## Diesel Excise Taxes: Revenues and Uses



### State Diesel Excise Tax Revenue

- The state collects a variable excise tax on diesel, the rate for which is set annually by BOE. The BOE has set this rate at 13 cents per gallon in 2015-16, which is estimated to generate about \$440 million.

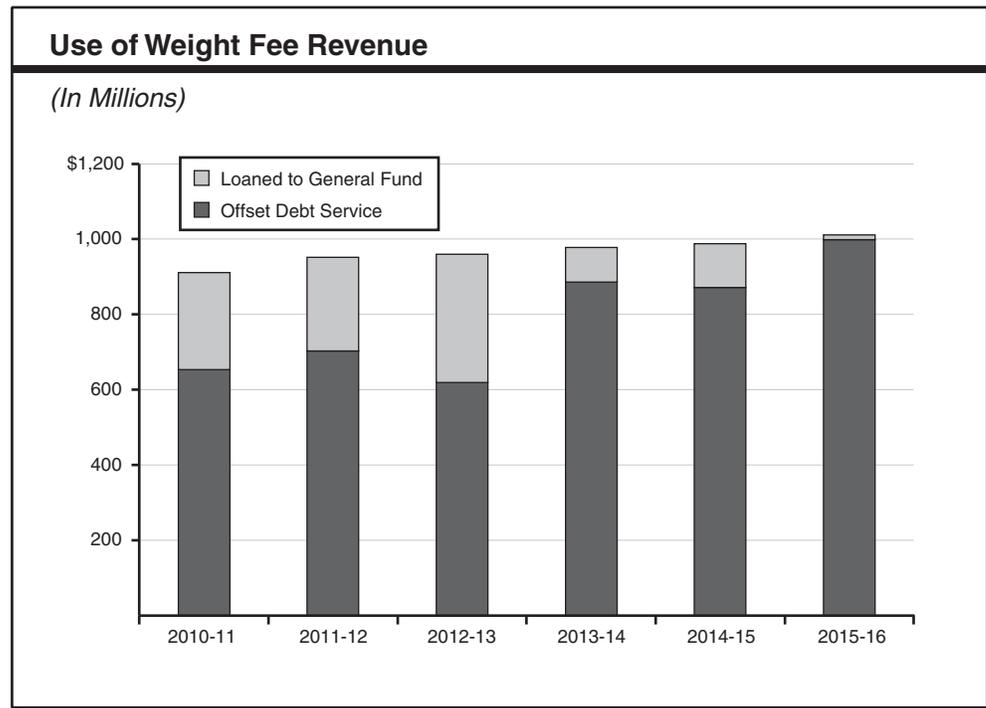


### State Diesel Excise Tax Uses

- Revenue generated from six cents of this tax is allocated to cities and counties for local streets and roads. The remainder of the revenue is deposited into the SHA to fund the Highway Maintenance program, SHOPP, and Caltrans administration.



## Weight Fees



### Weight Fee Revenues

- Weight fees are registration fees charged to vehicles that carry heavy loads on the state's roadways, such as commercial trucks. Weight fees generate about \$1 billion annually.

### Weight Fee Uses

- In addition to ongoing revenues, the state has issued general obligation bonds in order to pay for transportation projects. The debt-service costs of outstanding transportation bonds is estimated to be about \$1.3 billion in 2015-16.



## Weight Fees

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*(Continued)*

- Since 2011, vehicle weight fees have been used to offset a portion of the debt-service costs on transportation bonds, rather than fully paying these costs from the General Fund. The 2015-16 budget uses about \$1 billion in weight fees to pay debt service on transportation bonds, with the remainder of the costs paid from certain miscellaneous revenues and the General Fund.
- In years when weight fee revenues exceeds the amount necessary to pay eligible transportation debt service costs, the remaining revenues are loaned to the General Fund. In years when eligible debt service exceeds weight fee revenues, these loans will be repaid and used to offset the higher debt-service costs.



## Options for Increasing Funding for Transportation



***Increase Existing Taxes or Fees.*** The Legislature could increase one or more of the state's existing taxes and fees on fuels or vehicles (such as the excise taxes on gasoline and diesel). The figure below shows the state's major fuel and vehicle taxes and fees and their allowable uses, as well as identifies that amount of revenue that could be generated from potential increases.

<b>Options to Increase Existing State Fuel and Vehicle Taxes and Fees</b>		
<b>Revenue Source</b>	<b>Allowable Uses</b>	<b>Potential Revenue</b>
<b>Gasoline excise tax</b>	State highway and local road construction, maintenance, mitigation, and associated administrative costs. Transit fixed guideways.	\$150 million per one cent increase.
<b>Diesel excise tax</b>	State highway and local road construction, maintenance, mitigation, and associated administrative costs. Transit fixed guideways.	\$30 million per one cent increase.
<b>Vehicle registration fee</b>	State highway and local road construction, maintenance, mitigation, and associated administrative costs. Transit fixed guideways. State administration and enforcement of traffic laws.	\$33 million per one dollar increase.
<b>Vehicle license fee</b>	General use.	\$3 billion to \$3.5 billion per one percent increase.
<b>Vehicle weight fees</b>	State highway and local road construction, maintenance, mitigation, and associated administrative costs. Transit fixed guideways. State administration and enforcement of traffic laws.	Revenue increase depends on changes. For example, a doubling of all rates would generate about \$1 billion.



## Options for Increasing Funding for Transportation

(Continueud)

- 
- Charge New Taxes or Fees.** The Legislature could charge new taxes or fees to generate increased funding for transportation. For example, recent legislation requires a study of the feasibility of a “road user charge”—an amount charged to individuals for each mile they drive. We also note that the state previously charged a sales tax on gasoline. The state constitution requires that revenues from a sales tax on gasoline be allocated to specific transportation purposes.
  - Use Other Existing State Revenues.** The Legislature could use existing revenues from other sources to fund transportation.
    - For example, the state General Fund could be a revenue source.
    - The Legislature could also allocate additional cap-and-trade auction revenues to meet its transportation needs in a manner that is consistent with requirements on the use of these funds.
  - Repay Outstanding Transportation Loans.** There is currently about \$900 million in outstanding transportation loans from state accounts that fund highways and roads—meaning funds that were loaned from various transportation accounts to the General Fund. Repaying these loans sooner than planned would provide additional one-time funds for transportation.

# PAVEMENT QUALITY REPORT

## 2013 & 2014



City of Sacramento  
Public Works Department  
Maintenance Services Division

Juan Montanez, Division Manager  
Gregory J. Smith P.E., Senior Engineer  
Mark Brown, Program Analyst  
May 2015

## **Executive Summary**

One of the visions of Public Works is to “ensure the City's transportation system supports and enriches the quality of life for present and future generations.” Public Works recognizes that a quality street network is extremely important to the public and is a major factor that contributes to the overall quality of life in the city; aids economic development; and contributes to public safety. Given the need and importance to maintain streets at a level that is acceptable to the public and protects our street assets by mitigating pavement degradation during the life of the street, Public Works is committed to selecting and implementing the most cost effective and sustainable pavement maintenance strategies each year.

However, without adequate funding for pavement preservation, the City's transportation network will continue to deteriorate. To help maximize the allocation of pavement maintenance funds, we use a pavement management application (PMA) system that contains a database with extensive data on all streets in the city. One of the outputs of this system is a number called the Pavement Quality Index or PQI. The limits of PQI are from 0 to 100. A lower PQI indicates a street with poor pavement condition whereas a higher PQI would indicate a street that has just been resurfaced, or possibly, a new street. Public Works has adopted a target PQI of 75 which would indicate a street in “good” condition. The current street network average PQI is 61 which represents a street in “fair” condition.

Additionally, there are 345 lane miles of streets that have a PQI of less than 40. This represents approximately 11% of the total street network. A street with a PQI less than 40 is a street with pavement that has failed and typical pavement preservation techniques are no longer cost effective.

The funding shortfall is approximately \$143 million. The shortfall is based on an annual street resurfacing budget of \$5 million. Though Figure 4 shows the street resurfacing history, implicitly it also shows the effect of budget increases or decreases has on the lane miles that are resurfaced annually.

Given existing street resurfacing funding levels, we can expect that 89% of the city's street network will be below the target PQI of 75 by 2024.

Following is a summary of Public Works' 2013 and 2014 street resurfacing activities, funding, funding shortfall, and current pavement conditions:

- Lane miles in the city
  - 3,075
- 2013 Resurfacing Activities
  - Resurfaced 55 - lane miles
    - 45 - lane miles of seals
    - 10 - lane miles of overlay
  - 466,000 square yards of pavement
  - Budget \$5.1 million
- 2014 Resurfacing Activities
  - Resurfaced 25 - lane miles
    - 18 - lane miles of seals
    - 7 - lane miles of overlay
  - 230,000 square yards of pavement
  - Budget \$2.9 million
- Pavement Condition
  - Overall street network 61 PQI
    - Arterials 72 PQI
    - Collectors 62 PQI
    - Residential 57 PQI
  - Most streets are in range of "fair to good" condition
  - 345 lane miles of streets with PQI less than 40
  - Overall PQI trend is down from last year.
- Funding Shortfall To Maintain Target 75 PQI
  - Based on a \$5 million annual budget
  - Funding Shortfall is \$143 million
  - By 2024, 89% of the street network will fall below target PQI of 75
- Funding Shortfall Represents
  - 2,099 lane miles
  - 19 million square yards of pavement
  - 68% of total pavement in system

**Pavement Distribution by Council District**

The distribution of approximately 3,075 lane miles of pavement throughout the city by Council District is represented by Figure 1 and Table 1. The data shows that the roadways are fairly evenly distributed (10% to 14%) among the eight council districts. Figure 1 shows the percent distribution by lane miles within each Council District.

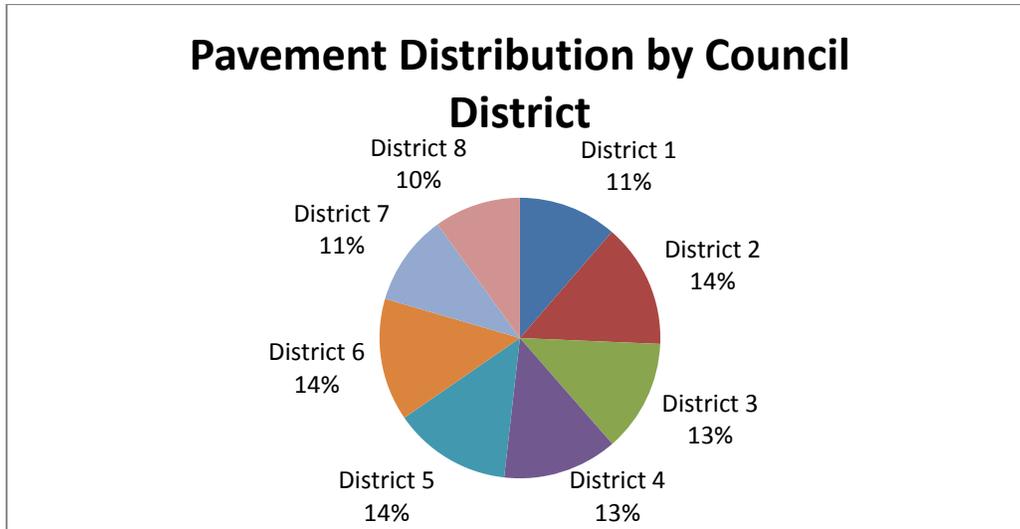


Figure 1

2014 Pavement Distribution by Council District			
	Pavement Area (sq. yards)	Lane Miles	Percent of Total
District 1	2,877,237	349	11%
District 2	3,820,050	439	14%
District 3	3,557,864	398	13%
District 4	4,013,973	406	13%
District 5	3,543,266	418	14%
District 6	3,953,153	435	14%
District 7	2,864,251	323	11%
District 8	2,722,558	307	10%
Total	27,352,352	3,075	100%

Table 1

## **Pavement Distribution by Roadway Classification**

The PMA classifies and makes resurfacing recommendations partly based upon the type of street. The street types that are classified by the PMA are based mostly on traffic volumes. As shown by the following examples; a street that could be characterized by higher speeds, higher volumes, and multiple lanes in each direction would likely be classified as arterial. On the other hand, as would be expected, residential streets are characterized by two lanes, low speeds, and low traffic volumes.



*A central city street showing failed pavement.*

The following examples are segments of streets that fall within a particular roadway classification. Keep in mind that a particular street, from one end to the other, may have segments that fall within different classifications because of differences in traffic



*Land Park area residential street showing severely deteriorated pavement*

volumes and the number of lanes. The following examples are representative of the different classifications.

Arterial: 12<sup>th</sup> Street, 16<sup>th</sup> Street, 21<sup>st</sup> Street, Alhambra Boulevard, Arden Way, Stockton Boulevard, Arena Boulevard, Broadway, Center Parkway, Florin Road, Folsom Boulevard, and Franklin Boulevard.

Collector: 14<sup>th</sup> Avenue, Amherst Street, Arcade Boulevard, Bamford Drive, Club Center Drive, Ehrhardt Avenue, Gloria Drive, Valley Hi Drive, and South Land Park Drive.

Residential: All other low volume neighborhood streets.

Industrial: 82<sup>nd</sup> Street, 83<sup>rd</sup> Street, Ahern Street, Belvedere Avenue, Harris Avenue, Main Avenue, Ramona Avenue, and Tribute Road.

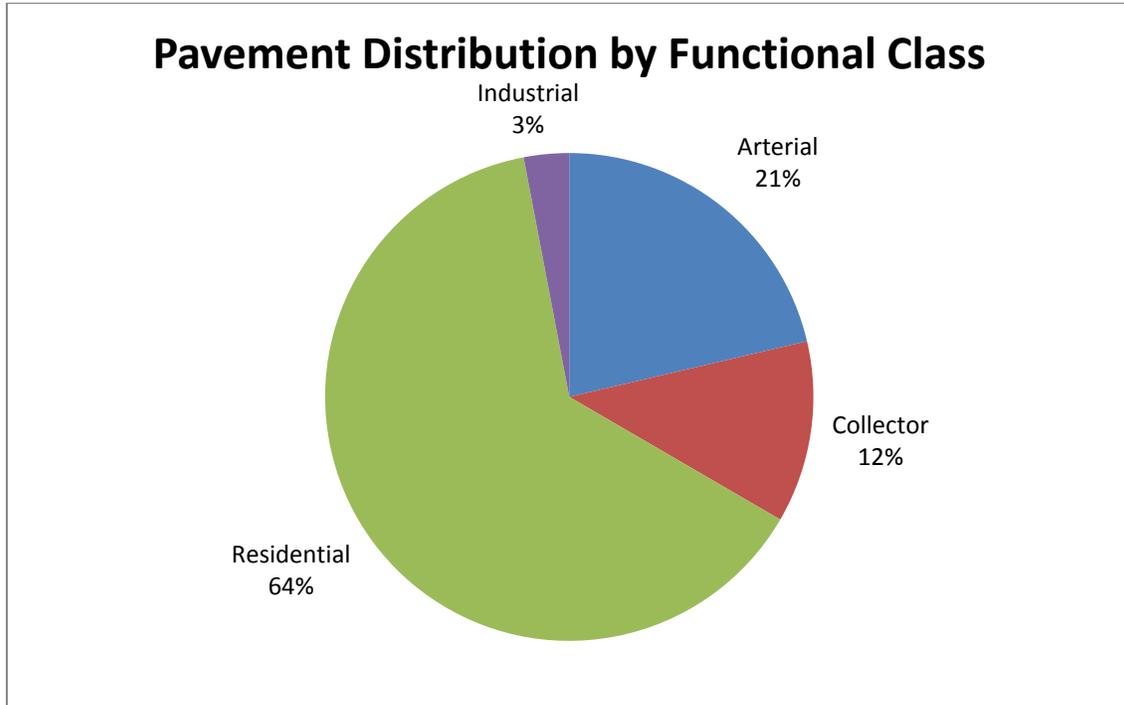


Figure 2

2014 Pavement Distribution By Roadway Classification			
Classification	Area (Million Sq. Yards)	Lane Miles	Percent of Total
Arterial	5.84	658	21%
Collector	3.99	368	12%
Residential	16.51	1,959	64%
Industrial	1.01	90	3%
Total	27.35	3,075	100%

Table 2

## **Pavement Condition by Roadway Classification**

Public Works uses a computerized pavement management application (PMA) to help manage the large investment in roadway infrastructure. The PMA contains extensive data on each roadway segment. The PMA uses the data to project roadway deterioration and recommend; the year that resurfacing should be scheduled; the type of resurfacing (e.g. slurry seal, cape seal, microsurfacing, rubberized asphalt overlay);



*A residential street receiving a cape seal*

the estimated cost of needed resurfacing. The PMA also provides an overall condition rating of the roadway called the Pavement Quality Index (PQI).

The PQI is made up of three distinct indices: surface distress, ride comfort, and structural adequacy. The PQI varies between 0 and 100 with 0 representing the poorest possible pavement and 100 representing the best possible pavement.

An overall level of 75 PQI has been established as the acceptable goal for the City of Sacramento. Arterial and Industrial streets currently have a PQI of 72 and 61 respectively which is below the target PQI. Arterial streets are considered to be in the lower range of a “good” condition but their overall condition continues to decline. The remaining street classifications range from 57 PQI to 62 PQI. The average for the entire 3,075 lane miles in the city is 61 PQI.

In order to determine the PQI, Public Works generally collects data each year on all arterial streets and on 1/3 of the remaining streets. The plan is that at the end of a three year cycle data will have been collected on all the arterial streets each year and all other streets will have been measured at least once. As previously noted the most critical element of the city’s pavement network is the higher speed and higher traffic volume arterial streets. It is important that these streets are evaluated annually.

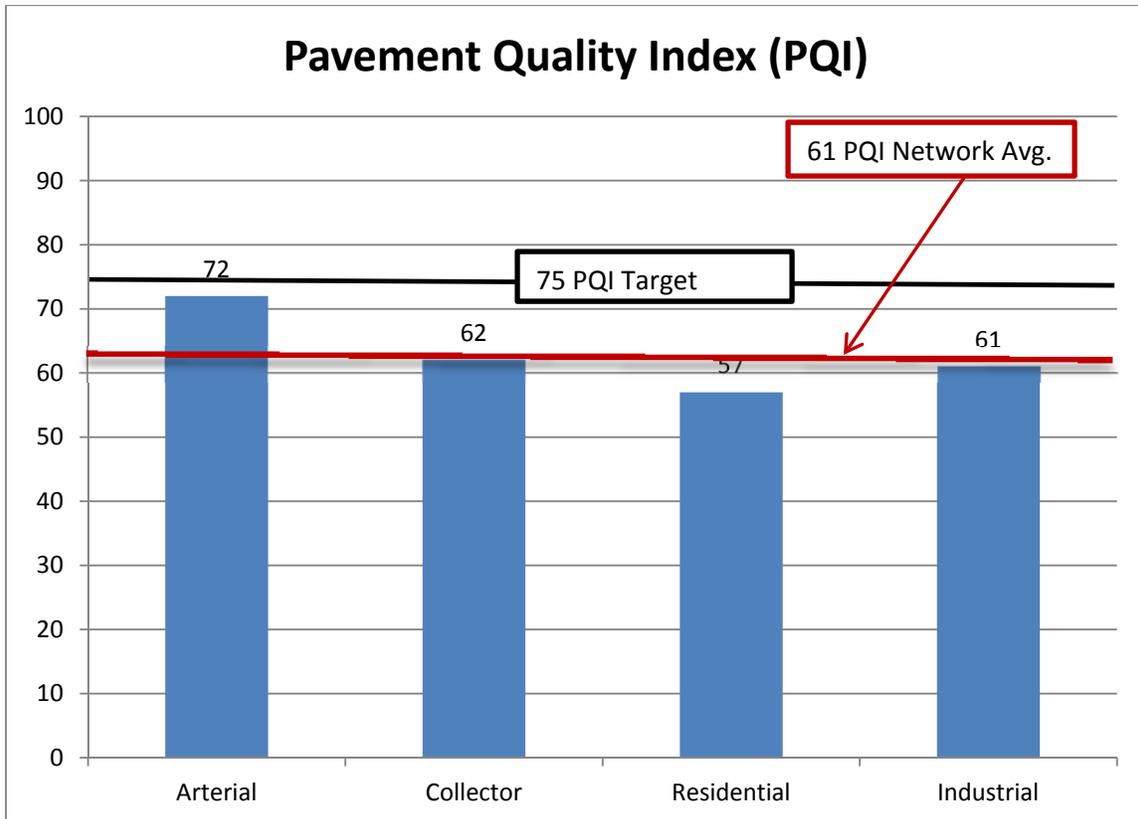


Figure 3

2014 Pavement Quality (PQI) by Classification			
Classification	Area (Million Sq. Yards)	Lane Miles	PQI
Arterial	5.84	658	72
Collector	3.99	368	62
Residential	16.51	1,959	57
Industrial	1.01	90	61
<b>Total</b>	<b>27.35</b>	<b>3,075</b>	<b>61</b>

Table 3

## **Annual Pavement Resurfacing History**

The amount of funding available for the Public Works' resurfacing program varies from year to year and is based on a number of factors including the available state gasoline tax, the local Measure A sales tax, and the availability of federal funding. The following chart shows the historical trend of the resurfacing program since 2004. In general,



*Rubber cape seal being applied to a residential street*

residential streets receive an asphalt seal while the higher volumes and speeds on arterial streets dictate the need for a more substantial resurfacing treatment such as an asphalt overlay.

Accordingly, the cost for resurfacing residential and collector streets ranges from \$2.00 to \$7.00 per square yard depending on the selected treatment. The cost to resurface arterial streets with a rubberized asphalt overlay or a bonded wearing course can cost \$20 to \$32 per square yard.

The difference in the resurfacing treatment cost is obvious when the amount of pavement resurfaced in a specific year, at a specific budget, is compared to another year with perhaps a larger budget, but the overall resurfacing was less. The difference in the amount of pavement resurfaced is strictly a result of the cost of the resurfacing treatment. As noted previously, overlays cost more - but are better for arterial streets. Seals cost less - but are better for residential and local streets. The main point to remember is that more streets (usually residential and collector) can be resurfaced with less expensive treatments with fewer dollars and that is reflected in the results of the 2013 and 2014 street resurfacing.

Even though there are competing interests for maintenance dollars, the on-going challenge for Public Works is to allocate the available pavement maintenance funding between the residential streets and the arterial streets in such a way to maximize the

benefit to the overall street network in order to preserve the maximum amount of pavement.

With the help of federal economic stimulus funds in 2009 we were able to place asphalt overlays on 66 lane miles of arterials which, as Figure 4 show, is by far the largest amount of lane miles that have received overlays since 2004. In 2013 and 2014 combined funding allowed only 17 lane miles of arterials to receive asphalt overlays. Asphalt seals were applied to 45 and 18 lane miles of residential and other lower volume and lower speed streets in 2013 and 2014 respectively.

Public Works is continuing to test different asphalt resurfacing products that promise to provide excellent preventive maintenance at reduced costs. These treatments will be evaluated during the next few years and if successful, the lower cost treatments will be used more extensively on arterial streets. The use of lower cost treatments to preserve and extend the life of the pavement will also allow more streets to be resurfaced for the same dollar amount.

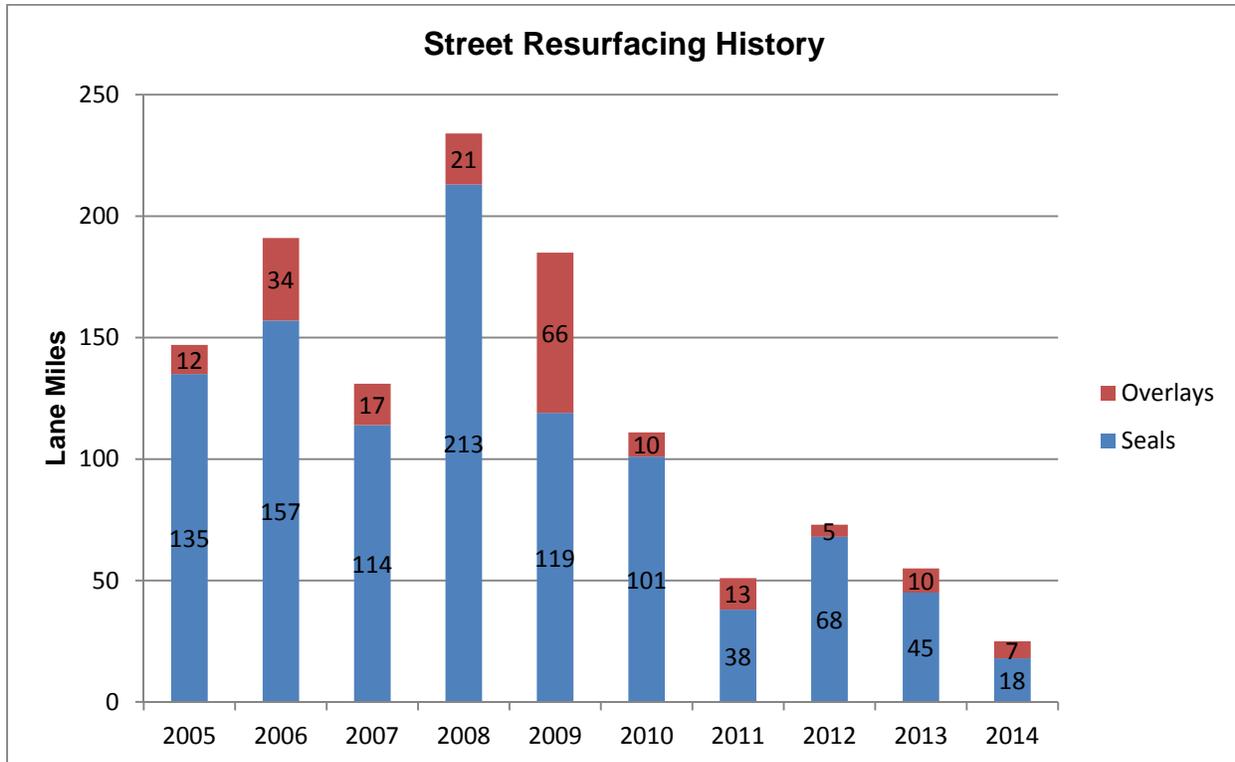


Figure 4

<b>Annual Pavement Resurfacing History</b>				
	Asphalt Seals		Asphalt Overlays	
Year	Area (Sq. Yds)	Lane Miles	Area (Sq. Yds)	Lane Miles
2005	1,200,000	135	110,000	12
2006	1,400,000	157	300,000	34
2007	1,020,000	114	150,000	17
2008	1,900,000	213	204,000	21
2009	1,100,000	119	603,000	66
2010	880,000	101	100,000	10
2011	351,000	38	119,000	13
2012	582,000	68	46,000	5
2013	373,852	45	92,519	10
2014	161,629	18	68,206	7

Table 4

**Americans with Disabilities Act (ADA) Guideline Requirements**

Title II of the Americans with Disabilities Act (ADA) of 1990 requires public entities, including state and local governments, to ensure that persons with disabilities have access to the pedestrian routes in the public right-of-way. A key aspect of the act is the obligation of agencies that are altering roadways to provide curb ramps where street-level pedestrian walkways cross curbs, making the routes accessible to those with disabilities. In July 2013, a joint technical guidance was published by the U.S Department of Justice and the U.S. DOT to provide further clarification on what road maintenance activities will trigger the requirement that curb ramps must be installed to modern standards. Activities that are deemed alterations, triggering ADA modifications, include: addition of a new layer of asphalt, reconstruction, rehabilitation, resurfacing, widening, open-graded surface course, microsurfacing, thin-lift overlay, cape seals and in-place recycling. The impact of the guidance is still being assessed, some estimates

indicate that 20% to 50% of dollars devoted to fixing roads could be consumed by ADA work. The impact can be partly seen in our 2014 resurfacing year where we had a budget of \$2.9 million for resurfacing compared to the previous year (2013) where we had a budget of \$5.1 million.

### **Funding, PQI, and Pavement Life Cycle**

In order to minimize deterioration of the asphalt and preserve the pavement, each roadway should receive a seal coat just prior to the appearance of substantial cracks and before excessive oxidation begins. Oxidation of asphalt pavements is characterized by the change in color from black to a shade of gray. Resurfacing streets at this time will maximize pavement preservation and thus, minimize the cost of resurfacing. Deterioration curves developed specifically for the City of Sacramento indicate resurfacing should be considered for each roadway every seven years. However, many of our streets are resurfaced only every 10 to 12 years due to inadequate funding for street resurfacing.

Lack of adequate and predictable funding prevents developing a comprehensive resurfacing plan for arterial streets. The arterial streets PQI of 72 indicates they are below the target goal of 75 PQI. The PMA, as well as Maintenance Services staff



*Partially completed street resurfacing*

consistently recommend resurfacing each year that cannot be completed due to lack of funding.

During 2013 and 2014, Public Works resurfaced 80 lane miles (696,000 sq. yd.) at a cost of \$8.0 million. However, based on a \$5 million annual resurfacing budget, in order to maintain the target 75 PQI, approximately \$148 million of resurfacing

was recommended which is a shortfall of \$143 million.

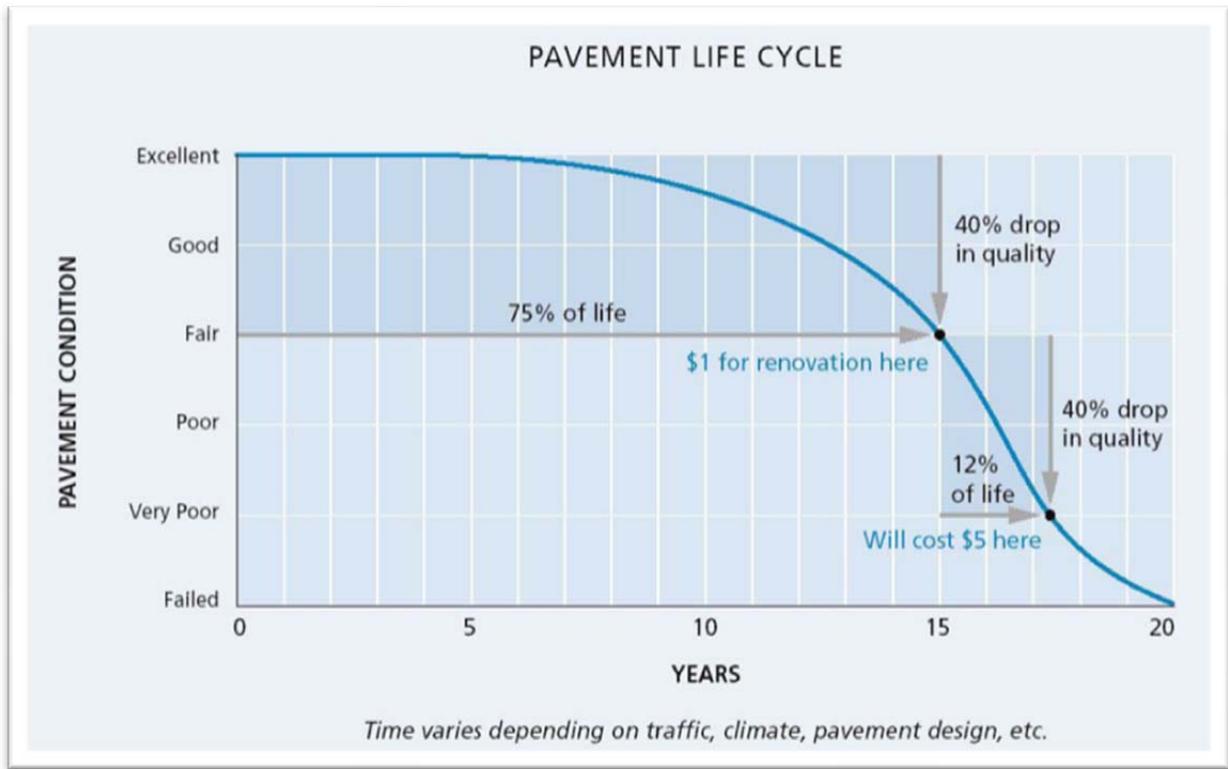
The \$143 million shortfall represents approximately 2,099 lanes miles which represents approximately 68% of the total lane miles in the city's pavement network.

The funding shortfall noted above does not include the street segments with a PQI of less than 40. A street with a PQI less than 40 indicates the street has deteriorated to a point that routine preventative maintenance will not provide benefit and the reconstruction of the structural section should be considered. However, due to funding limitations, Public Works does not have a program to reconstruct streets. In 2014 there was approximately 345 lane miles of pavement with a PQI less than 40. This is a increase of 98 lane miles over the number reported in 2012 and represents approximately 11% of the total street network. Annual pavement maintenance funding shortfalls will continue to contribute to reduced pavement quality in the city.



*A two-lane collector street recently resurfaced with a bonded wearing course*

Pavement life cycle is typically depicted by graphics similar to Figure 5. This graphic clearly shows the relationship between pavement condition and the relative cost to maintain the pavement surface over the life of the street. Public Works' goal is to conduct preventative maintenance prior to the initial "40% drop in quality." The specific numbers shown in the graphic are not that important and may or may not apply specifically to the situation in Sacramento. The relationship between the decline in pavement condition over time and the relative cost to keep the pavement in fair to excellent condition is what's important. This concept is especially important for the arterial and other high volume, high speed streets in the network. These streets are extremely important to the roadway user and are a high priority to keep maintained in no less than a fair condition. This condition is represented by the PMA as having a PQI of 75 or greater.



Source: Merced County Association of Governments

Figure 5

The above graphic also clearly shows the cost benefit to conduct a program that attempts to preserve the pavement versus a “worst first” approach to pavement management. Most pavements will experience a rather slow decline in their condition that occurs over the initial 75% of the pavement life. However, it takes only another



Example of a pavement in very poor condition that has a PQI less than 40

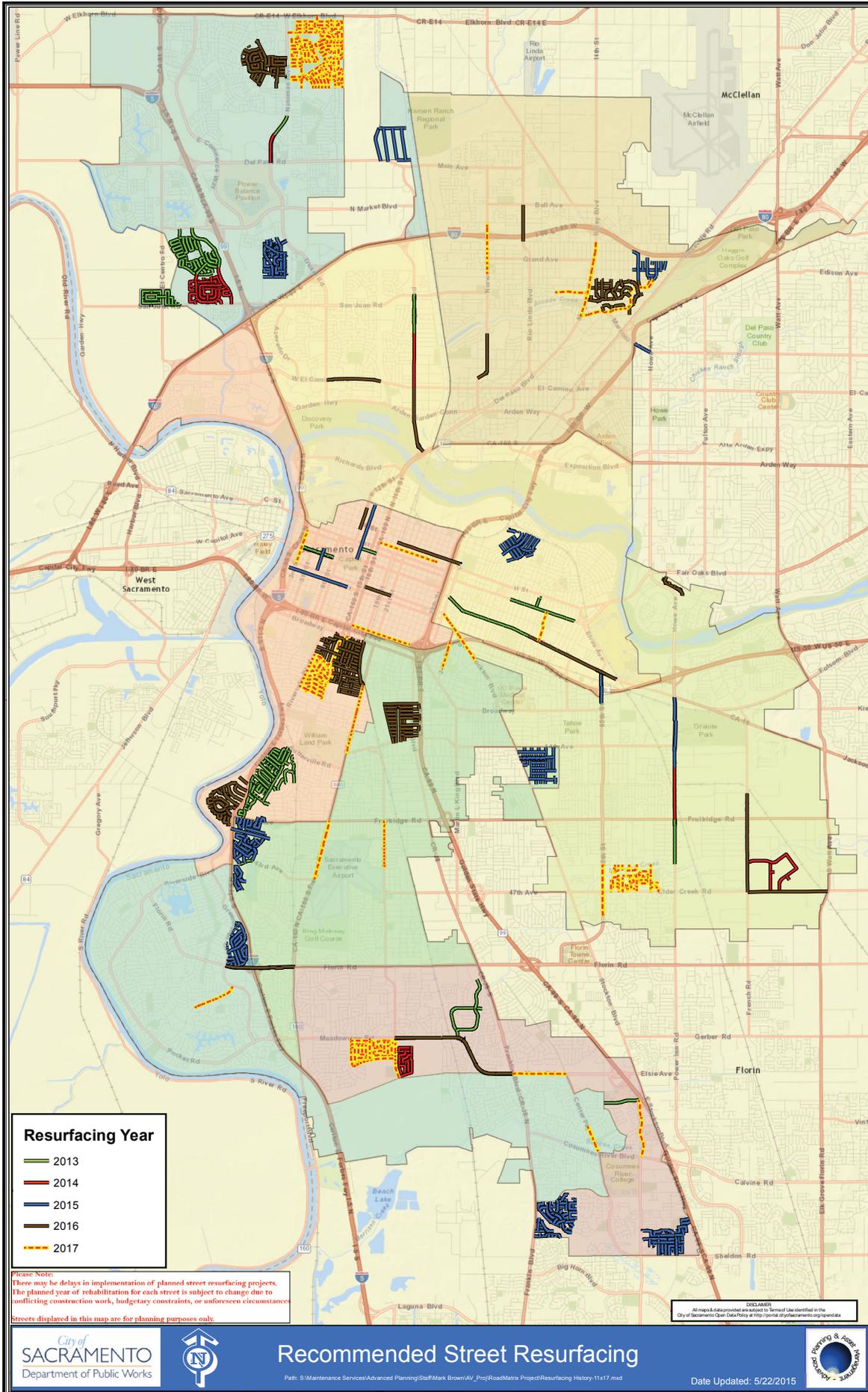
10% of the pavement life for an additional 40% decline in condition to where the pavement has declined a total of 80% to a “very poor” condition. Pavements in “very poor” condition are represented by the PMA as a street with a PQI less than 40.

To summarize, pavement preservation maintenance is typically applied to streets that are in generally good condition and are

not at the end of their useful life. Pavement preservation strategies use the fewest dollars to extend the useful life of the pavement. Without pavement preservation, the pavement condition will decline and that decline will accelerate as the pavement begins to reach the end of its useful life and the cost to restore the pavement to a good condition will also accelerate.

Public Works uses data from the PMA to produce a five year street resurfacing map. The map assists in planning pavement preservation efforts and is produced every year. The five year map is a good tool to represent the areas of the city that are targeted for street work. However, recent funding uncertainties have reduced the reliability of the map. The map is attached as Figure 6 and is also available on-line at the following address on the City of Sacramento's website:

<http://portal.cityofsacramento.org/Public-Works/Maintenance-Services/Street-Maintenance/Resurfacing-Program>



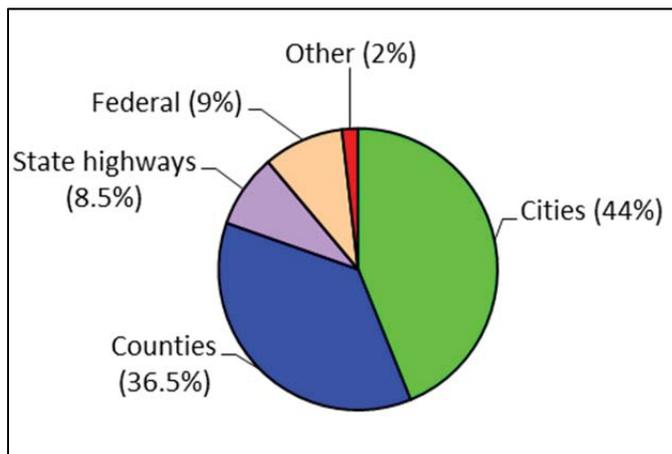
## Executive Summary

California’s local street and road system continues to be in crisis.

Every trip begins on a city street or county road. Whether traveling by bicycle, bus, rail, truck or family automobile, Californians need a reliable and well-maintained local street and road system. Unfortunately, these continue to be challenging times for our street and road system due to increased demand and unreliable funding. There is a significant focus on climate change and building sustainable communities, yet sustainable communities cannot function without a well-maintained local street and road system. The need for multi-modal opportunities on the local system has never been more essential. Every component of California’s transportation system is critical to providing a seamless, interconnected system that supports the traveling public and economic vitality throughout the state.

The first comprehensive statewide study of California’s local street and road system in 2008 provided critical analysis and information on the local transportation network’s condition and funding needs. Conducted biennially, the needs assessment provides another look at this vital component of the state’s transportation system and once again finds a significant funding shortfall.

The 2014 study sought answers to important questions: What are the current pavement conditions of local streets and roads? What will it cost to repair all streets and roads? What are the needs for the essential components to a functioning system? How large is the funding shortfall? What are the solutions?



Breakdown of Road Centerline Miles by Agency

Responsible for almost 81 percent of the state’s roads, cities and counties find this study of critical importance for several reasons. While federal and state governments’ regularly assess their system needs, no such data existed for the local component of the state’s transportation network prior to the initial study conducted in 2008. Historically, statewide transportation funding investment decisions have been made without local pavement condition data. This biennial assessment provides a critical piece in providing policy

makers with a more complete picture of California’s transportation system funding needs.

The goal is to use the results to educate policymakers at all levels of government about the infrastructure investments needed to provide California with a seamless, multi-modal transportation system. The findings provide a credible and defensible analysis to support a dedicated, stable funding source for maintaining the local system at an optimum level. The study also provides the rationale for

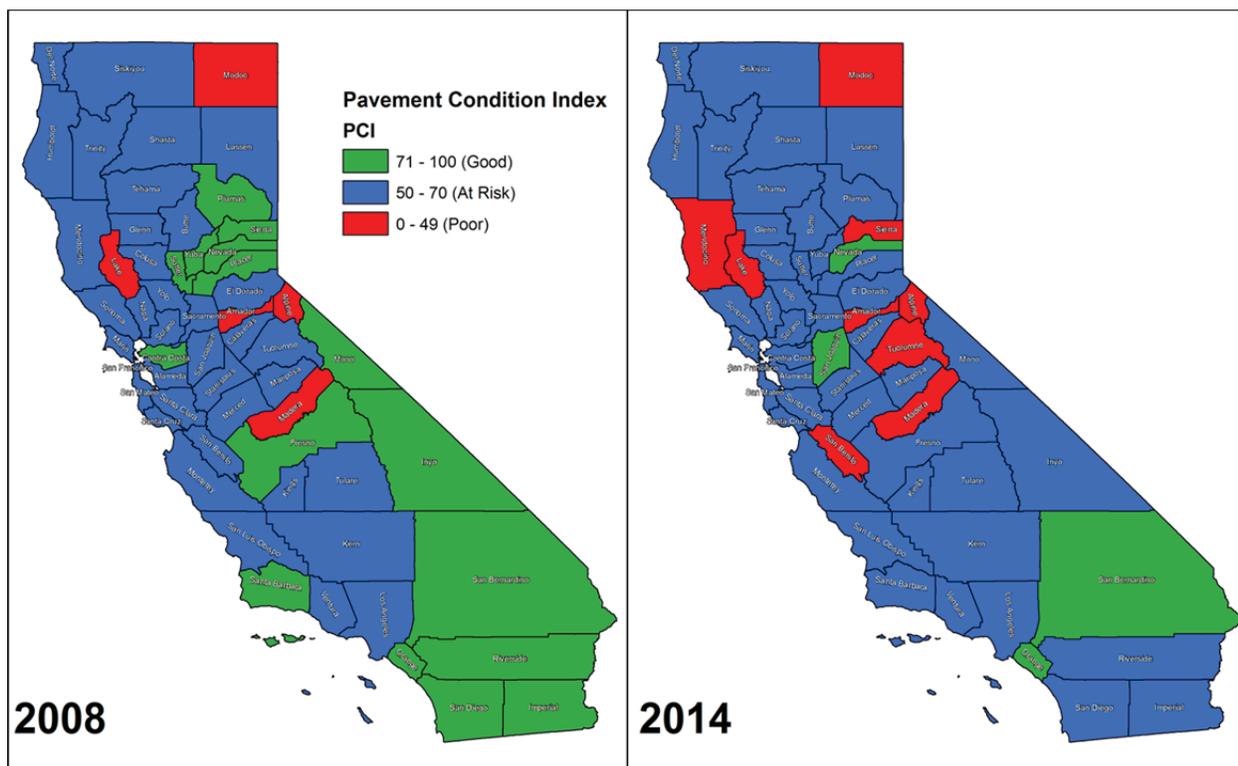
California Statewide Local Streets & Roads Needs Assessment 2014

the most effective and efficient investment of public funds, potentially saving taxpayers from paying significantly more to fix local streets and roads into the future.

This update surveyed all of California’s 58 counties and 482 cities in 2014. The information captured data from more than 99 percent of the state’s local streets and roads – a level of participation that makes clear the local interest in addressing the growing problems of crumbling streets and roads.

**Pavements**

The conditions of California’s local streets and roads are rolling toward a cliff’s edge. On a scale of zero (failed) to 100 (excellent), the statewide average Pavement Condition Index (PCI) has deteriorated to 66 (“at risk” category) in 2014. Even more alarming, 54 of 58 counties are either at risk or have poor pavements (the maps below illustrate the average pavement deterioration that has resulted in each county since 2008). If current funding remains the same, the unfunded backlog will swell from \$40 billion to \$61 billion by 2024.



In order to use taxpayer money wisely, it makes more sense to preserve and maintain our roads in good condition, than to let them crumble further and cost more to fix. The costs developed in this study are based on achieving a roadway pavement condition that the industry calls Best Management Practices (BMP). At this condition level, preventive maintenance treatments (i.e., slurry seals, chip seals, thin overlays) are most cost-effective. Preventive maintenance interferes less with the public’s mobility and commerce and is more environmentally friendly than rehabilitation and reconstruction.

The importance of this approach is significant. As roadway pavement conditions deteriorate, the cost to repair them increases exponentially. For example, it costs twelve times less to maintain a BMP pavement compared to a pavement that is at the end of its service life. Even a modest resurfacing is four times more expensive than maintenance of a pavement in the BMP condition. Employing maintenance practices consistent with BMP, results in treating four to twelve times more road area for the same cost.

By bringing the roads to BMP conditions, cities and counties will be able to maintain streets and roads at the most cost-effective level. It is a goal that is not only optimal, but also necessary. This study examines three funding scenarios in order to determine their impacts on the condition of the roads over the next decade. Note that these are in constant 2014 dollars.

1. **Existing funding levels of \$1.657 billion/year** – this is the current funding level available to cities and counties.
2. **Funding to maintain existing conditions (\$3.328 billion/year)** – this is the funding level required to maintain the pavement conditions at its current PCI of 66.
3. **Funding required to reach Best Management Practices (\$7.275 billion/year)** – the optimal scenario is to bring all pavements into a state of good repair within ten years so that best management practices can prevail. After this, it will only require \$2.4 billion a year to maintain the pavements at that level.

Scenarios	Annual Budget (\$B)	PCI in 2024	Condition Category	% Pavements in Failed Condition	% Pavements in Good Condition
Current Conditions	-	66	At Risk	6.2%	56.5%
1. Existing Funding	\$ 1.657	55	At Risk	24.5%	52.0%
2. Maintain PCI = 66	\$ 3.328	66	At Risk	19.9%	77.3%
3. Best Mgmt. Practices	\$ 7.275	84	Excellent	0.0%	100.0%

**Essential Components**

The transportation network also includes essential safety and traffic components such as curb ramps, sidewalks, storm drains, streetlights and signals. These components will require \$31 billion to maintain over the next 10 years, yet there is an estimated funding shortfall of \$20.9 billion.

**Bridges**

Local bridges are also an integral part of the local streets and roads infrastructure. There are 11,863 local bridges in California. There is an estimated shortfall of \$1.3 billion to maintain the safety and integrity of the bridge infrastructure.

**Total Funding Shortfall**

The table below shows the total funding shortfall of \$78.3 billion (*constant 2014 dollars*) over the next 10 years. For comparison, the results from the previous updates are also included.

Transportation Asset	Needs (\$B)			2014		
	2008	2010	2012	Needs	Funding	Shortfall
Pavement	\$ 67.6	\$ 70.5	\$ 72.4	\$ 72.7	\$ 16.6	\$ (56.1)
Essential Components	\$ 32.1	\$ 29.0	\$ 30.5	\$ 31.0	\$ 10.1	\$ (20.9)
Bridges	-	\$ 3.3	\$ 4.3	\$ 4.3	\$ 3.0	\$ (1.3)
<b>Totals</b>	<b>\$ 99.7</b>	<b>\$102.8</b>	<b>\$ 107.2</b>	<b>\$ 108.0</b>	<b>\$ 29.7</b>	<b>\$ (78.3)</b>

**What are the Solutions?**

The conclusions from this study are inescapable. Given existing funding levels available to cities and counties, California’s local streets and roads will deteriorate rapidly over the next 10 years. It is alarming that local streets and roads have decayed to the point that funding will need to be doubled just to maintain current conditions.

While bringing the state’s local street and road system to a cost-effective best management practice level will require more now, investing in local streets and roads sooner will reduce the need for exponentially more spending in the future. To reach that level – at which taxpayer money can be spent most cost-effectively – will require an additional \$56.1 billion for pavements alone, or \$78.3 billion total for a functioning transportation system, over the next decade. Only \$2.4 billion per year will be needed to maintain the pavements after reaching a level at which they can be maintained with best management practices.

To bring the local system back into a cost-effective condition, thereby preserving the public’s \$188 billion pavement investment and stopping further costly deterioration, \$7.8 billion annually in new funds are needed – that’s equivalent to a 54-cent-per-gallon gas tax increase.

Failure to invest more would be disastrous – not only for local streets and roads but for California’s entire interrelated transportation system. It is imperative that cities and counties receive a stable and dedicated revenue stream for cost-effective maintenance of the local system in order to reverse this crisis.

**Preliminary Comparison of Three Transportation Funding and Reform Proposals as of March 1, 2016**

	<b>SBX1 1 (Beall) as of Sept. 1, 2015</b>	<b>AB 1591 (Frazier) as of Jan. 6, 2016</b>	<b>Governor's Proposal from Sept. 6, 2015</b>
<b>Funding</b>			
Gas Excise Tax Increase	12 cents (\$2b)	22.5 cents (\$3.5b)	None
Price-Based Excise Tax Adjustment Reset	17.3 cents (\$900m)	17.3 cents (\$900m)	18 cents (\$900m) <sup>1</sup>
- <i>CPI adjustment applied to entire excise tax</i>	<i>Every 3 years</i>	<i>Every 3 years</i>	<i>Every year</i>
Diesel Excise Tax Increase	22 cents (\$600m)	30 cents (\$800m)	11 cents (\$300m)
- <i>CPI adjustment applied to entire excise tax</i>	<i>Every 3 years</i>	<i>Every 3 years</i>	<i>Every year</i>
Vehicle Registration Fee Increase	\$35 (\$1b)	\$38 (\$1b)	None
Road Access Fee/Highway User Fee	\$35 (\$1b)	None	\$65 (\$2b)
ZEV-specific Fee	\$100 (\$25m)	\$165 (\$35m)	None
- <i>Total Vehicle Fee Increase</i>	<i>\$70 (\$170 for ZEVs)</i>	<i>\$38 (\$203 for ZEVs)</i>	<i>\$65</i>
Greenhouse Gas Reduction Fund (Cap & Trade)	None	TIRCP <sup>2</sup> from 10% to 20% (\$200m)	TIRCP - \$400m
		TCIF – 20% (\$400m)	Complete Streets - \$100m
Weight Fees	None	Returned immediately <sup>3</sup>	None
General Fund Loan Repayments	Over 3 yrs, to RMRA <sup>4</sup>	Over 2 yrs, directly to locals <sup>5</sup>	By 6/30/19, to various accts <sup>6</sup>
Caltrans Efficiencies	Up to 30% (\$500m)	None	\$100m
<b>Estimated Total Annual Funding Increase<sup>7</sup></b>	<b>~ \$6 billion</b>	<b>~ \$7 billion</b>	<b>~ \$3.7 billion</b>
<b>Estimated Annual Funding for Local Streets and Roads<sup>8</sup></b>	<b>~\$1.9 billion</b>	<b>~\$2.2 billion</b>	<b>~\$1.0 billion</b>

<sup>1</sup> The Governor's proposal doesn't reset the price-based excise tax until the 2017-18 fiscal year.

<sup>2</sup> Transit and Intercity Rail Capital Program, a competitive grant program administered by the Transportation Agency.

<sup>3</sup> The weight fees would not be transferred from the State Highway Account and instead be available for traditional uses including SHOPP, STIP, and local roads through existing formulas. Therefore they are not included in the Estimated Total Annual Funding Increase, but would result in roughly \$1 billion more funding.

<sup>4</sup> The Road Maintenance and Rehabilitation Account, created in SB 1x1.

<sup>5</sup> Through Streets and Highways Code Section 2103 formula. Funds allocated with assumption that local agencies have project "shelf" that can accommodate new funding.

<sup>6</sup> \$132 million highway maintenance, \$265 million for TIRCP, \$334 million for trade corridors, \$148 million for Traffic Congestion Relief Program.

<sup>7</sup> Roughly estimated, annualized over ten years. Figures may not add up due to rounding.

<sup>8</sup> Excludes one-time cap and trade revenues for complete streets projects.

	<b>SBX1 1 (Beall) as of Sept. 1, 2015</b>	<b>AB 1591 (Frazier) as of Jan. 6, 2016</b>	<b>Governor's Proposal from Sept. 6, 2015</b>
<b>Expenditures</b>			
Gas Excise Tax Increase	RMRA	RMRA	-
Diesel Excise Tax Increase	10 cents to RMRA 12 cents to TCIF	All to TCIF	RMRA
CPI Adjustment Revenues	To the respective programs	To the respective programs	RMRA
Vehicle Fee Increases	RMRA	RMRA	RMRA
Greenhouse Gas Reduction Fund (Cap & Trade)	-	\$200m to rail and transit \$400m to TCIF	\$400m to rail and transit \$100m to complete streets
General Fund Loan Repayments	RMRA	Cities and Counties	Various accounts
<b>Total Annual Expenditures on:</b>			
Road Rehab and Maintenance	\$5.5 billion	\$5.8 billion	\$2.9 billion
Freight Mobility	\$500 million	\$1.2 billion	\$200 million
Rail and Transit or Complete Streets	-	\$200 million	\$500 million
<b>Expenditure Split Between State/Local Needs</b>	52% state/48% percent local	55% state/45% percent local	50% state/50% percent local <sup>9</sup>
<b>Accountability and Reforms</b>			
Reporting	Both Caltrans and local governments would report to the CA Transportation Commission Commission on the efficacy of expenditures from the RMRA	-	Both Caltrans and the locals report to the Commission on the efficacy of expenditures from the RMRA
Local Maintenance of Effort Requirements	Included	Included	Included
Commission Allocation of SHOPP Support Costs	Requires by Feb 2017	Requires by Feb 2017	-
COS State Staff vs. Contract Staff	-	-	80%/20% by Jul 2020
CM/GC Project Delivery	-	-	Expands authority for Caltrans from 6 to 12 projects
Public Private Partnerships Project Delivery	-	-	Extends sunset from 2017 to 2027
CEQA Exemption	-	-	Exempts projects in existing rights of way in certain circumstances
NEPA Delegation	-	-	Eliminates the sunset
Regional Advance Mitigation Program	-	-	Included

<sup>9</sup> Transit counted toward local agency share.

# Senate Republicans Unveil Transportation Investment for the Golden State

 [cssrc.us /content/senate-republicans-unveil-transportation-investment-golden-state](http://cssrc.us/content/senate-republicans-unveil-transportation-investment-golden-state)

Thursday, May 28, 2015

**SACRAMENTO** – Senate Republicans held a roundtable discussion with members of the media to discuss their ideas on how to jumpstart the state investment in transportation infrastructure. Joining Senate Minority Leader Bob Huff (*R-San Dimas*) were Senate Republican Leader-elect Jean Fuller (*R-Bakersfield*) and Senator Janet Nguyen (*R-Garden Grove*) who unveiled a transportation infrastructure investment package that **does not contain a tax increase**.

The Senate Republican plan calls for increasing funding for transportation infrastructure by \$2.9 billion per year with an additional \$2.4 billion in one-time funds. The funding would come from the following sources:

- End the diversion of more \$1 billion in transportation taxes every year. Spend this money on roads, highways and bridges.
- Repay all outstanding transportation loans to the General Fund and direct that money to transportation improvements.
- Make significant efficiency improvements at the State Department of Transportation.
- Finally, direct money from Cap and Trade funds that are related to fuel – about \$1.9 billion this year alone – to fixing roads.

Earlier this year, the Senate Republican Caucus introduced Senate Constitutional Amendment 7 (Huff) that would require all transportation taxes be used for transportation purposes. California drivers currently pay a cap and trade tax on gasoline. Senate Republicans propose to direct that funding to fixing California's roads, highways, and bridges.

"This cap and trade tax on gasoline is generating a significant amount of revenue, about ten cents a gallon right now," said Senator Huff. "This tax has generated about \$1.9 billion so far, and Senate Republicans believe if Californians are forced to pay this transportation tax, it should be directed to transportation infrastructure projects."

In the Golden State, 87 percent of county roads have an average pavement rating of "at-risk" or "poor". California roadways have accumulated \$59 billion in needed repair and maintenance.

"Our highways are in horrible conditions. I, myself, drive up and down Highway 99 and Interstate 5 every week coming to and from Sacramento to Bakersfield. Every so often, I find myself having a problem with my car," said Senator Fuller.

The May Revision to the budget, released by the Governor earlier this month, proposes a record spending amount of \$267 billion. State spending for almost every program area in the state budget has grown significantly since the 2007-09 great recession ended, but transportation infrastructure received very little and has been the lowest priority for new state funds.

"We have \$13 billion more revenues than was anticipated in last year's budget. We also have \$3 billion more in cap and trade funding as a result of fuel being included in the cap," said Senator Nguyen. "So we are talking about \$16 billion. Surely the Legislature could direct some of those resources to improving our state and local highway system."

**BACKGROUND:**

Senate Republican Caucus introduced SCA 7 (Huff) which would protect existing and future taxes for long-term commitment to transportation funding. It would ensure that future increases could only be used for construction, maintenance, and improvements to transportation infrastructure. Bonds or debts could not be paid with these funds.

# FIXING OUR ROADS

## #MAKEGOVWORK

### **A ROADMAP OF PRIORITIES: A NINE-POINT, \$6.6 BILLION PLAN TO FUND TRANSPORTATION INFRASTRUCTURE & FIX OUR ROADS WITH EXISTING RESOURCES**

#### **6 EXISTING FUNDS**

##### **40% of funds in California's Cap & Trade program: \$1 Billion+ Annually**

The goal of Cap & Trade is to offset the impacts of greenhouse gas emissions on our environment. Californians currently pay higher prices at the pump because fuels are now included in the Cap & Trade Program, making Cap & Trade funds directly linked to transportation infrastructure. Additionally, better roads means better fuel efficiency which leads to a clear reduction in greenhouse gas emissions.

##### **Existing funds from Vehicle Weight Fees: \$1 Billion Annually**

The Vehicle Weight Fee (VWF) is a non-controversial payment made to offset the costs of damage done to our roads by heavy trucks. During the recession, VWF revenue was diverted to purposes other than road maintenance. This budget gimmick is no longer needed. It is time to put this money back toward its intended use.

**Invest half of the Governor's strategic growth fund into shovel-ready roads projects: \$200 Million Annually** The state budget provides the Governor with \$400 million a year for projects of his choosing. The Assembly Republican plan prioritizes safe roads and reduces this discretionary pot of money by half, freeing up \$200 million for road projects that can quickly make a difference for Californians who use cars to get around our state.

##### **Eliminate redundancies at Cal Trans: \$500 Million annually**

We support the non-partisan Legislative Analyst Office's (LAO) recommendation to eliminate the 3,500 redundant positions at Cal Trans. The LAO reports this will not negatively impact any construction projects.

##### **Eliminate and capture savings from 25% of long-term vacant state positions: \$685 Million annually**

There are thousands of vacant positions in state government that remain unfilled for more than six months. Until recently, the law required that any such position be eliminated. While some positions are essential and difficult to fill, the majority are not and, in fact, are intentionally kept vacant so that state agencies can capture the money and spend it elsewhere. This money is better used fixing roads than padding state bureaucracy. Our proposal is for 25 percent of these vacant positions to be eliminated, using the savings to fund transportation projects.

**Make a formal commitment in the State Budget General Fund to fund transportation: \$1 Billion annually** The last two state budgets grew spending by \$8.1 billion and \$7.5 billion respectively. Early indications are that we will have \$4 billion more revenue next year. Despite this revenue surge, these budgets completely ignored the state's transportation needs. According to the LAO, the three-year revenue forecast is such that we can fully fund Prop. 98 and the Rainy Day Fund, and still dedicate \$1 billion annually to transportation. We propose doing this. Transportation is a top priority, a core function of government, and must be funded as such.

+ \$2.3 billion in approved spending for 2015-16 fiscal year

**= \$6.6 Billion to fund transportation projects and 90,000 jobs added to the workforce without raising taxes**

# FIXING OUR ROADS

## #MAKEGOVWORK

### 3 POLICY CHANGES TO GET OUR ROADS FIXED

#### **CEQA Relief for Highway Projects**

Relief from abuses of the California Environmental Quality Act could reduce costs and delays associated with highway projects and move our transportation projects out of lawsuits and red tape. Under our plan, highway projects would be insulated from injunctions, like the model enacted for the Kings basketball arena. Highway projects could be expedited by prohibiting a court from staying or enjoining a project unless certain specific factors are present (threat to health and safety, Native American artifacts, etc.). If we can do it for billionaire professional sports team owners, we should be able to do it for Californians who want out of traffic gridlock and those who will be put to work on the projects. The present and future of our state economy relies on a strong transportation network that can reliably move goods and services. Building and maintaining such a network of roads, highways, and bridges should not get hung up in endless years of CEQA litigation and bureaucracy.

#### **Foster Public-Private Partnerships (P3s) for transportation projects**

Removing the sunset on provisions authorizing the use of development lease agreements (aka “public-private partnerships” or P3s) for transportation projects will get roads fixed faster. Due to limited available funding for highway construction and maintenance, P3s are an attractive option for the state to most efficiently use limited resources to repair its deteriorating infrastructure. SB 2X 4 (Cogdill) (Chapter 2, Statutes of 2009) authorized Caltrans and regional transportation agencies to enter into an unlimited number of P3 agreements for a broad range of highway, road, and transit projects, through December 31, 2016. Deleting this sunset will maintain the flexibility for Caltrans and regional agencies to leverage private investment in project design, construction, and operation.

#### **Get the politics out of transportation projects: Restore CTC Independence**

Removing the California Transportation Commission (CTC) from the Executive Branch restores its status as an independent body. The CTC was created by the Legislature in 1978 as an independent body responsible for the programming and allocating of funds for the implementation of highway, passenger rail and transit improvements throughout California. The Governor’s Reorganization Plan No. 2 (GRP2) of 2012 changed the CTC from an independent agency to an entity within the newly created Transportation Agency. Keeping CTC under the control of the Secretary of Transportation frustrates meaningful oversight of the administration, and creates the potential for politicization of transportation funding decisions.

\*<http://lao.ca.gov/reports/2014/budget/capital-outlay/capital-outlay-support-program-051414.pdf>



August 7, 2015



Governor Jerry Brown  
Senate President pro Tempore Kevin de León  
Assembly Speaker Toni G. Atkins  
Senate Minority Leader Bob Huff  
Assembly Minority Leader Kristin Olsen



Re: **Coalition Framework to Increase Funding for Transportation in Special Session**



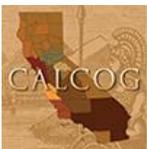
Dear Governor Brown and California Legislative Leaders:



Our organizations representing local government, business, labor and transportation advocates believe it is imperative that a legislative solution be reached during the special session that results in a robust and meaningful dent in California’s transportation funding shortfall. It is a critical issue that cannot wait to be addressed. Our roads continue to deteriorate as inadequate funding to deal with deficiencies creates safety hazards, costs motorists money and leaves Californians stuck in gridlock.



Our broad coalition has come together in support of the following priorities and funding sources inextricably linked with accountability and reform measures, which we believe should be the basis for legislation addressing this critical issue for California. We urge you to support these priorities as you debate policies and funding sources for California’s streets and roads.



**1. Make a significant investment in transportation infrastructure.**

If we are to make a meaningful dent that demonstrates tangible benefits to taxpayers and drivers, any package should seek to raise at least \$6 billion annually and should remain in place for at least 10 years or until an alternative method of funding our transportation system is agreed upon.

**2. Focus on maintaining and rehabilitating the current system.**

Repairing California’s streets and highways involves much more than fixing potholes. It requires major road pavement overlays, fixing unsafe bridges, providing safe access for bicyclists and pedestrians, replacing storm water culverts, as well as operational improvements that necessitate, among other things, the construction of auxiliary



(More)



lanes to relieve traffic congestion choke points and fixing design deficiencies that have created unsafe merging and other traffic hazards.

Efforts to supply funding for transit in addition to funding for roads should also focus on fixing the system first.



**3. Invest a portion of diesel tax and/or cap & trade revenue to high-priority goods movement projects.**

While the focus of a transportation funding package should be on maintaining and rehabilitating the existing system, California has a critical need to upgrade the goods movement infrastructure that is essential to our economic well-being. Establishing a framework to make appropriate investments in major goods movement arteries can lay the groundwork for greater investments in the future that will also improve air quality and reduce greenhouse gas emissions.



**4. Raise revenues across a broad range of options.**

Research by the California Alliance for Jobs and Transportation California shows that voters strongly support increased funding for transportation improvements. They are much more open to a package that spreads potential tax or fee increases across a broad range of options rather than just one source. Additionally, any package should move California toward an all-users pay structure in which everyone who benefits from the system contributes to maintaining it - from traditional gasoline-fueled vehicles, to hybrids, alternative fuel and electric vehicles, to commercial vehicles. Our coalition supports:



- Reasonable increases in:
  - Gasoline and diesel excise taxes.
  - Vehicle registration and vehicle license fees.
- Dedicating a portion of the cap and trade revenue paid by motorists at the pump to transportation projects that reduce greenhouse emissions.
- Ensuring existing transportation revenues are invested in transportation-related purposes (i.e. truck weight fees and fuel taxes for off-road vehicles that are currently being diverted into the general fund).
- User charge for electric and other non-fossil fuel powered vehicles that currently do not contribute to road upkeep.

**5. Equal split between state and local projects.**

We support sharing revenue for roadway maintenance equally (50/50) between the state and cities and counties. Funding to local governments should be provided directly (no intermediaries) to accelerate projects and ensure maximum accountability.

**6. Strong accountability requirements to protect the taxpayers' investment.**

Voters and taxpayers must be assured that all transportation revenues are spent responsibly. Authorizing legislation should:





- Constitutionally protect transportation revenues for transportation infrastructure only. Time and again (Prop 42, 2002; Prop 1A, 2006; Prop 22, 2010), voters have overwhelmingly supported dedicating and constitutionally protecting transportation dollars for those purposes. We strongly support protections that prohibit using transportation dollars for other purposes.
- Repay existing transportation loans and end ongoing diversions of transportation revenues, including approximately \$850 million in loans to the general fund and the annual loss of approximately \$140 million in off-highway vehicle fuel taxes.
- Establish performance and accountability criteria to ensure efficient and effective use of all funding. All tax dollars should be spent properly, and recipients of new revenues should be held accountable to the taxpayers, whether at the state or local level. Counties and cities should adopt project lists at public hearings and report annually to the State Controller's Office regarding all transportation revenues and expenditures. Local governments should also commit to ensuring any new revenues supplement revenues currently invested in transportation projects. Both Caltrans and local governments can demonstrate and publicize the benefits associated with new transportation investments.
- Caltrans reform and oversight. To increase Caltrans effectiveness, provide stronger oversight by the state transportation commission of the programs funded by new revenues and establish an Inspector General office to provide accountability. Reduce Caltrans administrative budgets through efficiency reviews with all savings to be spent on road improvements.
- Expedite project delivery. More should be done to streamline project delivery, including but not limited to:
  - Establishing timelines for actions required by state agencies and eliminating other permit delays.
  - Increased implementation of alternative delivery systems that encourage more investment from the private sector.
  - Reforms to speed project completion.

#### **7. Provide Consistent Annual Funding Levels.**

Under current statute, the annual gas tax adjustment by the Board of Equalization is creating extreme fluctuations in funding levels -- a \$900 million drop in this budget year alone. A transportation funding package should contain legislation that will create more consistent revenue projections and allow Caltrans and transportation agencies the certainty they need for longer term planning. While this change would not provide any new revenue to transportation, it would provide greater certainty for planning and project delivery purposes.

We believe these priorities represent a solution to begin to address our transportation funding shortfalls, resulting in real projects at both the state and local level. We look forward to working with you over the coming weeks as a transportation package is finalized.

(More)

Sincerely,

Jim Earp  
Executive Consultant  
**California Alliance for Jobs**

Matt Cate  
Executive Director  
**California State Association of Counties**

Chris McKenzie  
Executive Director  
**League of California Cities**

Cesar Diaz  
Legislative Director  
**State Building and Construction Trades  
Council of California**

Bob Alvarado  
Executive Officer  
**Northern California Carpenters Regional  
Council**

Oscar De La Torre  
Business Manager  
**Northern California District Council of  
Laborers**

Russ Burns  
Business Manager  
**Operating Engineers Local 3**

Brad Diede  
Executive Director  
**American Council of Engineering  
Companies - California**

Dave Sorem  
President  
**Engineering Contractors Association**

Mark Watts  
Interim Executive Director  
**Transportation California**

Allan Zaremborg  
President and CEO  
**California Chamber of Commerce**

Robert Lapsley  
President  
**California Business Roundtable**

Rex Hime  
President and CEO  
**California Business Properties Association**

Richard Lyon  
Senior Vice President  
**California Building Industry Association**

Gary W. Hambly  
President and CEO  
**California Construction and Industrial  
Materials Association**

Tom Holsman  
CEO  
**Associated General Contractors of  
California**

Gary Toebben  
President and CEO  
**Los Angeles Area Chamber of Commerce**

James Camp  
President  
**NAIOP CA, The Commercial Real Estate  
Development Association**

Chuck Shaw  
Western Regional Director  
**International Council of Shopping Centers**

Mark Breslin  
CEO  
**United Contractors**

Lucy Dunn  
President and CEO  
**Orange County Business Council**

(More)

Carl Guardino  
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**North State Super Region**

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**Rural County Representatives of California**

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Daryl K. Halls  
Executive Director  
**Solano Transportation Authority**

Dan Himick  
Director  
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CEO  
**Mountain Cascade**

Craig Anderson  
Director  
**Solar Turbines**

Steve Clark  
Vice President, Labor Relations  
**Granite Construction Co.**

Rich Gates  
President  
**DeSilva Gates Construction**

## **RESOLUTION NO.**

**Adopted by the Sacramento City Council**

### **URGING THE GOVERNOR AND STATE LEGISLATURE OF CALIFORNIA TO PROVIDE SUSTAINABLE TRANSPORTATION INFRASTRUCTURE FUNDING FOR STATE AND LOCAL HIGHWAY AND ROADWAY NETWORKS**

#### **BACKGROUND**

- A. Governor Edmund G. Brown, Jr. has called an extraordinary session to address the immense underfunding of California's transportation infrastructure.
- B. Cities and counties own and operate more than 81 percent of streets and roads in California, and from the moment we open our front door to drive to work, bike to school, or walk to the bus station, people are dependent upon a safe, reliable local transportation network.
- C. The 2014 California Statewide Local Streets and Roads Needs Assessment, which provides critical analysis and information on the local transportation network's condition and funding needs, indicates that the condition of the local transportation network is deteriorating as predicted in the initial 2008 study.
- D. The results show that California's local streets and roads are on a path of significant decline. On a scale of zero (failed) to 100 (excellent), the statewide average pavement condition index (PCI) is 66, placing it in the "at risk" category where pavements will begin to deteriorate much more rapidly and require rehabilitation or rebuilding rather than more cost-effective preventative maintenance if funding is not increased.
- E. The results show that the City of Sacramento's local streets have an average Pavement Quality Index of 61, placing them in the "at risk" category.
- F. If funding remains at the current levels, in 10 years, 25 percent of local streets and roads in California will be in "failed" condition.
- G. Cities and counties need an additional \$1.7 billion just to maintain a status quo pavement condition of 66, and much more revenue to operate the system with Best Management Practices, which would reduce the total amount of funding needed for maintenance in the future.

- H. An additional \$3 billion annual investment in the local streets and roads system is expected to improve pavement conditions statewide from an average “at risk” condition to an average “good” condition.
- I. If additional funding isn’t secured now, it will cost taxpayers twice as much to fix the local system in the future, as failure to act this year will increase unmet funding needs for local transportation facilities by \$11 billion in five years and \$21 billion in ten years.
- J. Modernizing the local street and road system provides well-paying construction jobs and boosts local economies.
- K. The local street and road system is also critical for farm to market needs, interconnectivity, multimodal needs, and commerce.
- L. Police, fire, and emergency medical services all need safe reliable roads to react quickly to emergency calls and a few minutes of delay can be a matter of life and death.
- M. Maintaining and preserving the local street and road system in good condition will reduce drive times and traffic congestion, improve bicycle safety, and make the pedestrian experience safer and more appealing, which leads to reduce vehicle emissions helping the State achieve its air quality and greenhouse gas emissions reductions goals.
- N. In addition to the local system, the state highway system needs an additional \$5.7 billion annually to address the state’s deferred maintenance.
- O. In order to bring the local system to a condition which would allow cost-effective maintenance, \$7.3 billion annually in new money going directly to cities and counties is needed for the next 10 years.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

**Section 1.** The Governor and Legislature are urged to identify a sufficient and stable funding source for local street and road and state highway maintenance and rehabilitation to ensure the safe and efficient mobility of the traveling public and the economic vitality of California.

**Section 2.** The City of Sacramento urges the Governor and Legislature to adopt the following priorities for funding California's streets and roads.

1. **Make a significant investment in transportation infrastructure.** Any package should seek to raise at least \$6 billion annually and should remain in place for at least 10 years or until an alternative method of funding our transportation system is agreed upon.
2. **Focus on maintaining and rehabilitating the current system.** Repairing California's streets and highways involves much more than patching potholes. It requires major road pavement overlays, fixing unsafe bridges, providing safe access for bicyclists and pedestrians, replacing storm water culverts, as well as operational improvements that necessitate the construction of auxiliary lanes to relieve traffic congestion choke points and fixing design deficiencies that have created unsafe merging and other traffic hazards. Efforts to supply funding for transit in addition to funding for roads should also focus on fixing the system first.
3. **Invest a portion of diesel tax and/or cap & trade revenue to high-priority goods movement projects.** While the focus of a transportation funding package should be on maintaining and rehabilitating the existing system, California has a critical need to upgrade the goods movement infrastructure that is essential to our economic well-being. Establishing a framework to make appropriate investments in major goods movement arteries can lay the groundwork for greater investments in the future that will also improve air quality and reduce greenhouse gas emissions.
4. **Raise revenues across a broad range of options.** Research by the California Alliance for Jobs and Transportation California shows that voters strongly support increased funding for transportation improvements. They are much more open to a package that spreads potential tax or fee increases across a broad range of options, including fuel taxes, license fees, and registration fees, rather than just one source. Additionally, any package should move California toward an all-users pay structure, in which everyone who benefits from the system contributes to maintaining it – from traditional gasoline-fueled vehicles, to new hybrids or electric vehicles, to commercial vehicles.

5. **Equal split between state and local projects.** We support sharing revenue for roadway maintenance equally (50/50) between the state and cities and counties, given the equally-pressing funding needs of both systems, as well as the longstanding historical precedent for collecting transportation user fees through a centralized system and sharing the revenues across the entire network through direct subventions. Ensuring that funding to local governments is provided directly, without intermediaries, will accelerate project delivery and ensure maximum accountability.
  
6. **Strong accountability requirements to protect the taxpayers' investment.** Voters and taxpayers must be assured that all transportation revenues are spent responsibly. Local governments are accustomed to employing transparent processes for selecting road maintenance projects aided by pavement management systems, as well as reporting on the expenditure of transportation funds through the State Controller's Local Streets and Roads Annual Report.
  
7. **Provide consistent annual funding levels.** Under current statute, the annual gas tax adjustment by the Board of Equalization is creating extreme fluctuations in funding levels — a \$900 million drop in this budget year alone. A transportation funding package should contain legislation that will create more consistent revenue projections and allow Caltrans and transportation agencies the certainty they need for longer term planning. While this change would not provide any new revenue to transportation, it would provide greater certainty for planning and project delivery purposes.