

# Summary of the 2018-19 Governor’s Budget for Transportation

On January 10, 2018, Governor Brown released his fiscal year 2018-19 Budget Proposal. This represents the initial step in the budgetary process that will ultimately lead to approval of the Budget Act in June of this year. The Governor’s Budget proposes \$13.6 billion in expenditures for the California Department of Transportation (Caltrans), which reflects an increase of approximately \$1.7 billion from the 2017-18 Enacted Budget.

The Governor’s Proposal includes increases of approximately \$1.1 billion in Capital Outlay expenditures and approximately \$277 million in Local Assistance expenditures over the 2017-18 Enacted Budget. These projected expenditure increases are largely attributed to the enactment of the Road Repair and Accountability Act of 2017, also known as Senate Bill (SB) 1 (details below). In addition, the proposal increases State Operations expenditures by \$349 million, due primarily to increases in the Maintenance Program through SB 1. As a result, positions are expected to increase by 496 from the 2017-18 Enacted Budget, including 400 positions in the Maintenance Programs to align staffing with incoming SB 1 revenues. The Governor’s Budget does not include changes to Capital Outlay Support related to project delivery workload, which will be addressed as part of the spring budget process.

<b>Changes in Budget Category Expenditures 2017-18 Enacted vs. 2018-19 Proposed (\$ in millions)</b>					
<b>Category</b>	<b>CY Enacted 2017-18</b>	<b>BY Proposed 2018-19</b>	<b>Change</b>		
				<b>\$ Change</b>	<b>% Change</b>
State Operations	\$4,616	\$4,965	▲	\$349	7.6%
Capital Outlay	\$3,993	\$5,053	▲	\$1,059	26.5%
Local Assistance	\$3,315	\$3,592	▲	\$277	8.4%
Financing*	\$11	\$11	=	\$0	0.0%
<b>Total</b>	<b>\$11,936</b>	<b>\$13,621</b>	<b>▲</b>	<b>\$1,685</b>	<b>14.1%</b>
Positions	19,021	19,518	▲	496	2.6%

*\* Financing includes GARVEE debt service, which is categorized in the Governor’s Budget as State Operations. The Governor’s Budget does not reflect the carryover of GARVEE debt service expenditures that will occur in future years.*

## Senate Bill 1 – The Road Repair and Accountability Act of 2017

SB 1 was signed into law on April 28, 2017. Per statute, the excise tax on gasoline and diesel increased by 12 and 20 cents per gallon, respectively, and took effect November 1, 2017. Sales tax on diesel also increased by 4 percent. An annual transportation improvement fee, ranging from \$25 to \$175 per vehicle, began January 1, 2018. The current methodology used to set the price-based excise tax will continue through 2018-19, then per statute, be replaced by a traditional excise tax of 17.3 cents per gallon. Adjustments for inflation on excise taxes begin 2020-21 using the California Consumer Price Index.

SB 1 also creates the Road Maintenance and Rehabilitation Account (RMRA). Resources deposited into the RMRA are expected to add approximately \$1.6 billion annually for the State Highway Operation and Protection Program, inclusive of Bridges and Culverts. Other SB1 revenues fund \$300 million for Trade Corridor Enhancements and \$250 million for Congested Corridors.

For local programs, the budget designates about \$355 million for State Transit Assistance, \$330 million for the Transit and Intercity Rail Program, \$200 million for the Local Partnership program, and \$100 for the Active Transportation Program, \$60 million in other programs. In addition, nearly \$1.2 billion in SB1 revenue is apportioned directly to local agencies for local streets and roads.

## Budget Change Highlights

The Governor's Budget aligns resources with transportation infrastructure needs. Highlighted 2018-19 Budget Change Proposals include:

**Increased Resources for the Implementation of SB 1** – The Governor's Budget includes an increase of 400 positions and approximately \$1.8 billion in RMRA funds, and a total of \$2.7 billion overall for all SB-1 funded transportation. Of the \$2.7 billion in resources, \$1.4 billion will be for capital outlay, \$655 million for Local Assistance, and \$634 million for added work in the Maintenance Program. This proposal provides much needed resources that will help local and state capital projects, bridge and culvert repairs, maintenance and rehabilitation on the state highway system, congestion relief, active transportation, intercity and commuter rail, local streets and road repairs, as well as climate planning.

**Personal Services Adjustment** – The proposal contains a permanent \$58 million augmentation for Personal Services to correctly fund existing staff benefits. Caltrans and the Department of Finance reviewed resources needed to support administrative and operational activities. It was shown that Caltrans has been operating with insufficient funding for its existing staff benefit commitments. This augmentation will fully fund staff benefits and allow the Department to correctly align funding to programs.

**Replace Information Technology (IT) Hardware and Increase Security of IT Assets** – The proposal includes \$14 million to replace existing IT hardware that has become obsolete. This will ensure stability and continuity of critical IT elements and prevent system failures. In addition, the Budget includes an additional \$10.5 million and four positions for upgrades to cyber security to further protect the system from unauthorized access.

**Tort Fund Augmentation** – The proposal includes a \$7 million increase to cover costs associated with tort lawsuits against Caltrans to pay wrongful death, personal injury, and personal property damages as well as litigation expenditures. Escalating medical costs and increases in wages have amplified the monetary value of settlements over the past three years.

## Budget Change Proposals

In addition to the more significant proposals covered in detail above, several others were incorporated into the Governor's Budget. The table on the following page provides a high-level summary of all the Budget Change Proposals included in the Governor's Budget.

**Department of Transportation**  
**2018-19 Budget Change Proposals**  
(\$ in Thousands)

<b>BCP #</b>	<b>Title</b>	<b>Positions</b>	<b>2018-19 Dollars</b>
001	Road Repair and Accountability Act Implementation Plan	400	\$ 1,821,590
002	FHWA Audit Compliance	7	\$ 835
003	Proposition 1B Staffing (extension of limited term)	31	\$ 6,514
004	Road Charge Program (extension of limited term)	5	\$ 3,174
005	Tunnel Inspections	4	\$ 852
006	Insurance Rate Increase	0	\$ 4,914
007	Strategic Highway Safety Plan	0	\$ 3,000
008	Facilities Cost Adjustment	0	\$ 2,100
009	High Speed Rail- Reimbursement Authority	14	\$ 2,821
010	Privacy & Enterprise Security Enhancements	4	\$ 10,440
011	Tort Augmentation	0	\$ 7,000
012	Personal Services Adjustment	0	\$ 57,982
013	IT Infrastructure Replacement & Environmental Systems	0	\$ 14,000
	<b>Total</b>	<b>465</b>	<b>\$ 1,935,222</b>