



DATE: February 13, 2008

TO: California Transportation Commission

FROM: Suzanne Smith, Chair, Self Help Counties Coalition

RE: State of Transportation Funding

In December 2007, the CTC asked the Self Help Counties Coalition to examine the problems facing the State related to transportation funding and to develop ideas on how to improve the re-current issues of funding shortfalls, allocation plans, and general instability in programming and project delivery.

To meet that request, the Coalition held a two-day workshop in late January and developed the following analysis. The discussion was framed in terms of:

- What are the current problems with transportation funding?
- What is the effect of these problems?
- What answers can we explore to remedy the problems?

The information below is meant to serve as a springboard for further discussion and the Coalition asks that the Commission consider creating an ad hoc sub-committee to work with representatives of the Coalition to examine these suggestions in greater depth and develop recommendations.

PROBLEMS:

- 1) Historic underinvestment in transportation on the part of the State and federal governments.
- 2) Shift in transportation funding from a from user fee based system to one reliant upon the General Fund.
- 3) The structural deficit has a direct impact on transportation funding. Over the past eight years, the State has routinely used transportation dollars to help solve budget deficits.
- 4) Treating transportation funding sources as “separate silos” as opposed to analyzing an integrated approach helps to hide the true nature of how projects are funded and built. Individual discussions about specific fund sources distract from the need to assess bigger picture.

- 5) State laws often present barriers to how project funding and project delivery might be improved, including:
- a) The 2/3 vote requirement for special taxes
 - b) Disallowing innovative contracting methods
 - c) Discouraging roadway pricing
 - d) Discouraging public/private partnerships

These problems cause the following effects.

EFFECTS:

- 1) Funding to maintain the system is woefully inadequate and that impacts delivery of expansion projects
- 2) Local transportation sales tax revenues have become the primary source for expanding the system.
- 3) Projects are often delayed and the result is higher costs. This leads to fewer projects being delivered and less bang for the buck.
- 4) Increased congestion and greenhouse gas emissions.

Possible answers are suggested for discussion with the CTC.

ANSWERS:

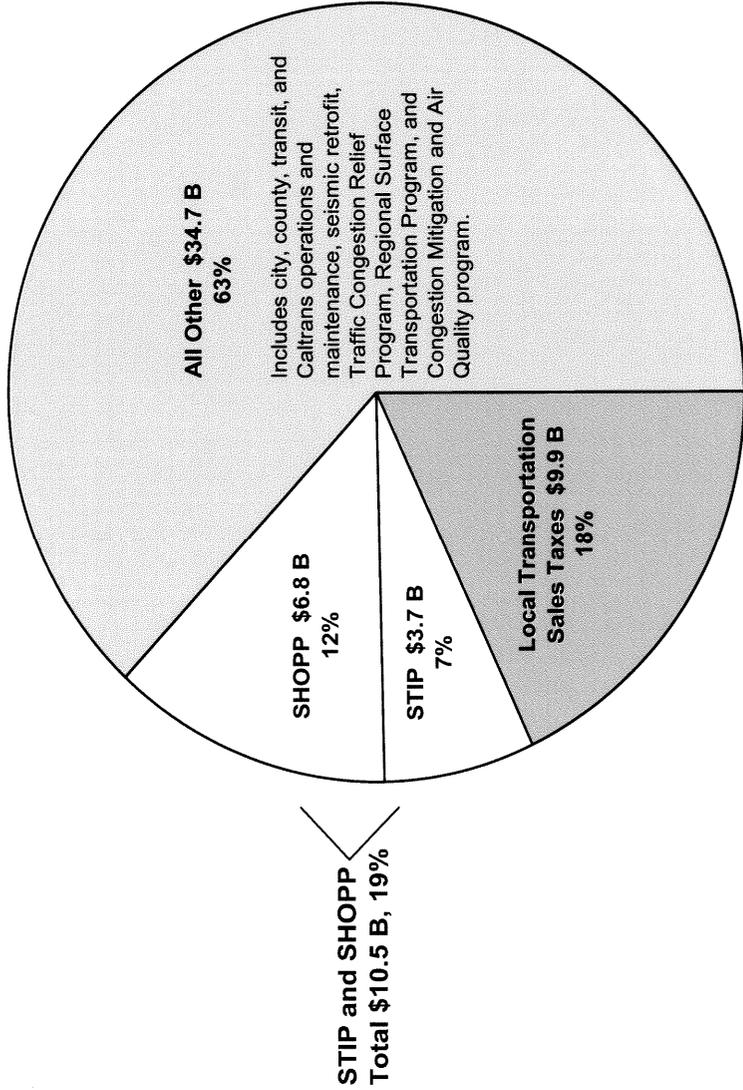
- 1) Need to create a reliable, stable funding source for system maintenance, preservation and operation.
- 2) Revisit SCA3 approach of a uniform ½ cent sales tax for all counties in California – make permanent those taxes that currently exist and provide a new tax in those counties without a tax.
- 3) Reduce the vote requirement to 55% for transportation sales taxes.
- 4) Increase flexibility and authority for local transportation agencies to deliver projects.
- 5) Maximize efficiency of existing transportation funding and ensure it is used effectively
- 6) Separate transportation dollars from General Fund.
- 7) Insist in truth and transparency when discussing transportation issues by looking at the full funding picture on all projects.
- 8) Examine the prioritization and coordination of SHOPP funding
- 9) Consider these approaches to fees:
 - a) Index and increase gas taxes
 - b) VMT fees
 - c) Increase fees on commercial vehicles
 - d) Explore methods to replace the gas tax (i.e. carbon fee)
 - e) Congestion pricing and tolls
- 10) Cease stealing from one transportation fund to make another fund whole as this generally leads to funding gaps on projects that render them undeliverable.

The overarching message derived from our discussion was the need for stability and flexibility to improve project delivery and maximize the efficient use of funds.



State Transportation Funding

All Public Transportation Funding in California: \$55.1 Billion for Four Years*



* Excludes transit fares, toll revenues, and Proposition 1B.

As forecasted beginning in 2006. Sources: 2006 STIP Fund Estimate, draft 2006 SHOPP, State Controller Revenue Estimates, Self-Help Counties Coalition, and Federal Transit Administration.

