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California State Assembly

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INFORMATIONAL HEARING

"The Basics of Transportation Funding"

Monday, July 6, 2015
1:30 p.m. ♦ State Capitol, Room 4202

Introduction

Governor Brown has proclaimed the need for an extraordinary session of the Legislature to address the maintenance and repair of its core transportation infrastructure. Specifically, the Governor called upon the Legislature to enact legislation necessary to:

- 1) Establish permanent, pay-as-you-go funding to adequately and responsibly maintain and repair the state's transportation and other critical infrastructure, to improve the state's key trade corridors, and to complement local efforts to repair and improve local transportation infrastructure;
- 2) Establish clear performance objectives measured by the percentage of pavement, bridges, and culverts in good condition; and
- 3) Incorporate project development efficiencies to expedite project delivery or reduce project costs.

The purpose of today's hearing is to provide members of the newly constituted Assembly Transportation and Infrastructure Development Committee with a basic understanding of how transportation is funded in California and to explain why those structures no longer support transportation adequately.

To this end, representatives of the Legislative Analyst Office, the Department of Transportation, the California Transportation Commission, and other transportation stakeholders will testify.

Background

There was a time in California's history when transportation funding was straightforward. The state's first gas tax was enacted in 1923. It was fairly easy to collect and the impact of the tax was fairly evenly distributed in proportion to the use of the road. The more miles one drove, the more gas they consumed, and the more tax they paid.

Back then, transit was a privately-funded service as was rail.

Now, however, most highway projects are funded with a cobbled-together mix of upwards of a dozen different funding sources, including revenue from federal and state gas taxes (the state now has essentially two gas taxes--one fixed and the other price-based), locally imposed sales taxes, bond dollars, and, to some extent, tolls. Transit receives a mix of fare box revenue, federal funding, General Fund dollars, and cap and trade auction revenues. High-speed rail is being built with a mixture of bond dollars, federal funds, and cap and trade auction revenue. And active transportation programs are supported, in part, with gas tax revenue and cap and trade auction proceeds.

Still, the mainstay of transportation funding remains the gas tax. The pursuit of other policy goals, however, such as reducing air pollution and greenhouse gas emissions and minimizing purchases of foreign oil, involve reducing gas consumption. This presents inherent trade-offs. While we are making significant progress on these other policy goals, the reduced consumption of gas portends an uncertain and unsustainable future for transportation systems heavily dependent on gas tax revenue for support.

In short, California's transportation funding is in crisis. Today's hearing will lay out the basics of what has become a very complex funding structure. It will also shed light on how we got to a state of crisis. Finally, today's hearing will hopefully convince us all that a resolution of the crisis is warranted and urgent.

Attachments

Included in members' packets are two sets of charts that depict the complicated world of transportation funding in California. The "2015-16 California Transportation Financing Package" and "Transportation Funding in California," both published by the California Department of Transportation. Although the actual dollar amounts displayed in the charts changes year to year, both sets of documents provide good reference material that explains how transportation funding flows and how it is distributed.