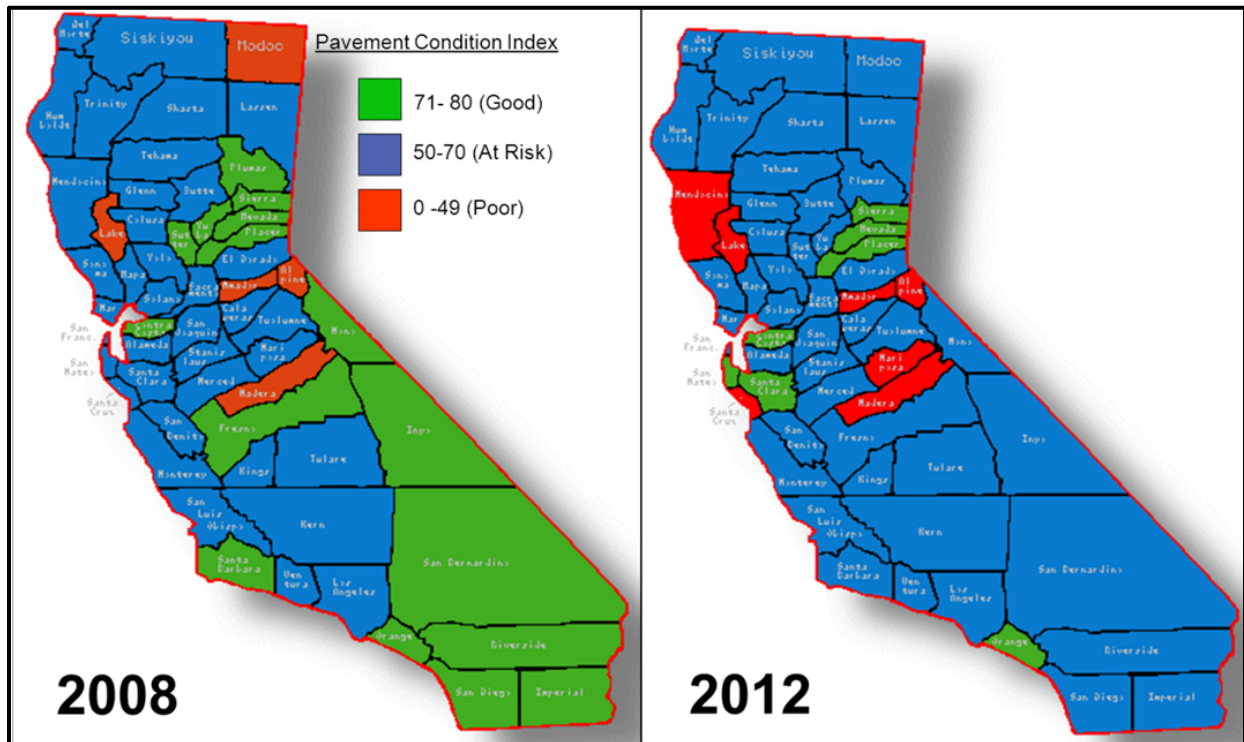


PROTECTING OUR TRANSPORTATION INVESTMENT

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Current Issue

Current transportation revenue streams are insufficient to cover the full cost to operate and maintain (O&M) existing transportation networks in California. Most cities and counties have a backlog of deferred maintenance projects and pavement conditions are deteriorating as a result. According to the *California Statewide Local Streets and Roads Needs Assessment*, League of California Cities, January 2013, pavement conditions have been deteriorating at a steady pace since 2008. The graphics below depict this trend.



California Statewide Local Streets and Roads Needs Assessment

Part of the problem is that gasoline taxes and other user fees such as tolls pay for only about a third of state and local road spending.¹ Even if all the spending was dedicated to O&M, most cities and counties would still face a shortfall. The *California Statewide Local Streets and Roads Needs Assessment* reports a funding shortfall of more than \$82 billion over the next 10 years to bring the system up-to-date. Without action, inadequate maintenance will lead to an exorbitant increase in future costs as greater levels of effort are required to restore pavement condition once it has failed. Beyond just pavement, cities and counties also suffer from deteriorating conditions for transit, bicycle, and pedestrian facilities as well as for street lighting, traffic controls, signing, and striping.

¹ Gasoline Taxes and Tolls Pay for Only a Third of State & Local Road Spending, Tax Foundation – Fiscal Fact, Joseph Henchman, January 17, 2013.

Expanding Problem

Despite the O&M funding problem, cities and counties continue to expand their transportation networks often spending most of their discretionary funding on new capacity projects. These decisions compound O&M cost obligations as new roadways are constructed with little or no funding source for near-, mid-, or long-term O&M. Further, actions to reduce O&M costs such as using consolidated contracts across multiple jurisdictions to gain economies of scale and reduce administration and mobilization costs are not typical.

To make matters worse, public transportation funding is in decline in terms of amounts and purchasing power. Most public transportation funding relies on federal and state gas taxes plus varying amounts of sales taxes. Gas taxes have not kept pace with inflation or been adjusted to account for greater fuel mileage. Public and political resistance often exists to any proposal to increase these taxes and competition is growing for scarce public resources from programs or groups focused on public safety, education, health, and social welfare. Other revenue mechanisms such as grants and transportation impact fees provide only a portion of the cost for capacity expansion projects. Transportation impact fee programs in particular routinely set fee levels below the maximum allowed due to sensitivity over how fees affect development but then ignore the fact that planned infrastructure to support expected growth will not be fully delivered.

Potential Solutions

In general, expectations for transportation network performance and design should reflect available funding revenue. Decision makers and the public should be informed about the current disconnect between revenue and costs and what it means for the condition, size, and performance of the transportation network over the long-term to better inform policy decisions. A fundamental alignment should occur between the value placed on mobility and accessibility in a community and the level of investment that occurs to build, operate, and maintain its network. The following concepts would aid in achieving this goal.

- **Decisions about transportation network modification and performance should consider that transportation network performance directly affects the travel choices, travel costs, and the quality of life for residents, workers, and visitors.** City and county transportation plans need to connect these factors in establishing goals and policies especially in the general plan. Policy thresholds in particular such as vehicle level of service (LOS) often dictate the size of the network (i.e., how many travel lanes) so these thresholds should be set with knowledge of capital and O&M cost obligations.
- **Recognize O&M and safety needs first when creating spending priorities and improve the cost effectiveness of spending actions.** Expanding a transportation network that a community cannot afford to operate or maintain is not financially sustainable. Recognizing this condition early can minimize the size of O&M backlogs. To stretch current revenues further, cities and counties should consider cost saving actions in their O&M contracting as noted above, investing in asset management systems that optimize maintenance and construction activities across all infrastructure classes (i.e., roads, sewer, water, etc.), and modifying planning and design thresholds. For example, replace 12-foot travel lane standards with 11-foot or 10-foot travel lane widths where appropriate to reduce both construction and O&M costs.
- **The transportation network should function more like a ‘utility’ where users are largely responsible for ongoing O&M costs.** By strengthening this connection, users would demand more cost effective service and performance plus more transparency in public transportation spending.

- **Adopt new revenue mechanisms if capacity expansion is desired.** These mechanisms should consider issues of equity and flexibility. For example, impact fees cannot be used for O&M and they have other consequences that may not be desirable (i.e., land value reductions, pass through cost effects, etc.). Other options (e.g., bonds, parking taxes, additional sales taxes, new parcel taxes, value pricing) may be viable; however, any potential source should recognize a community's overall funding and financing picture. Spending on transportation may reduce spending on other infrastructure depending on the type of revenue source.
- **Resolve transportation funding and network performance expectations as part of the general plan.** The general plan land use and circulation elements must be correlated. This means that planned population and employment growth associated with the land use element must be supported by adequate transportation infrastructure identified in the circulation element. The term 'adequate' in the prior sentence depends on expectations for network performance established by the circulation element policies. At a minimum, the circulation element should demonstrate that the community can afford to operate and maintain the existing network while also having sufficient funding mechanisms to pay for any proposed network expansion and its associated long-term O&M costs. Very few, if any, California cities or counties have accomplished this objective. One of the key benefits of taking this approach is that it can reduce the time and cost for subsequent development projects to comply with CEQA and perform entitlement review. CEQA streamlining provisions such as those contained in SB 375 and SB 226 are much easier to utilize when the general plan circulation element is financially constrained and network performance expectations have been set accordingly.