



California's Transportation Funding Crisis: The Case for Reforms *and* New Revenues

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HIGHLIGHTS

- We Can't Continue to Ignore the Condition of our Transportation System
- General Fund not a Viable Source for Funding the State's Transportation Program
- Must Protect and Dedicate all Transportation Revenues
- Reforms Necessary, but Revenues not Keeping Pace with Need
- Transportation Shouldn't be a Partisan Issue
- Legislature Needs to Act Now

Everyone seems to agree that our roads and bridges are in a sorry state, not to mention our rail and transit services. As the State Legislature, Governor and transportation advocates continue to debate the best way to repair California's failing transportation infrastructure, many continue to support approaches that do not include new revenue or taxes and fees. One argument against raising transportation levies is based on an apparent premise that since existing transportation revenues are being misspent and/or wasted, repairing our transportation infrastructure isn't justified. While I fully agree that we need to make our transportation agencies more efficient and that we need to improve accountability and transparency, I question the logic of continuing to ignore the condition of our transportation system which is so important to the State's economy and our quality of life. So, in the midst of this debate, I feel compelled to build the case for a solution that includes reforms *and* new revenues.

From a funding perspective, some officials suggest that it's just a matter of priorities and that we ought to pay for transportation needs with existing General Fund resources. We all know that the General Fund is not a reliable source of revenue. The Legislature has a hard enough time allocating General Fund resources without throwing transportation in the mix. Plus, the Governor and Legislative Analyst's Office agree that California is heading into an economic downturn and there will be less General Fund dollars to support the state's many deserving priorities.

These same officials often call for the dedication and protection of transportation funding, but paying for transportation out of the General Fund will eliminate existing protections and will make it even more difficult to provide dedicated and consistent funding for the program. And what do we do about local streets, roads and transit services that are supported by state transportation revenue? Doesn't it make more sense to pay for all of our transportation facilities on a user fee basis? The more you use the system, the more you pay.

One suggestion that does make sense is ensuring that taxes and fees paid by users of the system go specifically for transportation purposes. Over the recent past, transportation revenues have been borrowed, diverted or



otherwise used for General Fund purposes to balance the budget during hard times. Fortunately, some of those dollars must be paid back due to constitutional protections and those repayments are included in existing proposals. Other sources of transportation funding are not protected, and any solution to this funding crisis should guarantee that all such revenue is dedicated to taking care of our transportation system.

The fact of the matter, however, is that we have underinvested in transportation infrastructure for decades. The state gas tax was last increased in 1994, and that 18 cent per gallon tax approved in the nineties is only worth eight cents today. The loss of purchasing power to inflation, coupled with a significant increase in the fuel efficiency of our vehicle fleet, has served to dramatically reduce the money available to take care of our existing system. Revenues are simply not keeping pace with need.

We also have to consider that California motorists are paying a “hidden tax” of nearly \$800 a year in added vehicle repair and maintenance costs due to bad roads. And what about safety? We should be ensuring that the travelling public doesn’t have to worry about crossing a bridge that is structurally deficient because there isn’t sufficient money for an upgrade. Then there is the economy. Congestion and road conditions significantly impact the cost of goods and services and substantially reduce our state’s productivity.

There is no question that before we can ask taxpayers for more money, we have to provide assurances that the funds will be dedicated, protected, and efficiently spent. But there are examples of effective and successful project management at both the state and local levels. Consider the local sales tax programs approved by voters in twenty California counties. These programs follow a theme of “Promises made, promises kept,” and have met commitments to the voting public for the past thirty years. There’s more. In 2006, the electorate approved Proposition 1B, a \$19.9 billion bond measure for transportation improvements. The program was well managed by the State Transportation Commission and efficiently delivered by state and local agencies in an accountable and transparent manner. We need the same kinds of reform provisions incorporated in any new revenue package. And we need performance measures laid out in advance so the public knows what it will get for the additional investment.

This shouldn’t be a partisan issue. Republicans are not wrong to ask that we examine how we are spending existing revenue and insisting on more efficiency in the transportation program. Democrats are not wrong to propose higher levels of funding because existing revenues are not sufficient to improve the state’s transportation network. What troubles me is that we can’t get everyone together to deal with a significant public policy issue that has huge implications for the California economy and our quality of life. For the future of our state, California must implement meaningful program reforms and invest more in our transportation infrastructure, and the Legislature needs to act now.