

August 21, 2007

# Addressing the State's Highway Maintenance and Rehabilitation Needs

---

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Transportation and Housing Committee





## Overview of California's Highway System

---

- More than 50,000 highway lane-miles
- 12,600 bridges
- 205,000 culverts and drainage facilities
- 27,200 acres of roadside landscaping
- 88 roadside rest areas



## Maintaining and Improving the Quality Of the State's Highway System

---



### **Maintenance**

- The maintenance division at the California Department of Transportation (Caltrans) is responsible for the upkeep of all aspects of the state's highway system. Adequate highway maintenance can significantly reduce future costs for roadway rehabilitation.
- Major functions of maintenance are (1) pavement maintenance, (2) roadside and drainage maintenance, (3) structures maintenance (includes bridges), (4) traffic guidance and electrical maintenance, (5) support and training, (6) snow and storm response, and (7) radio communications.
- Funding comes from the State Highway Account (SHA), which consists of revenues from the state gas tax and truck weight fees.



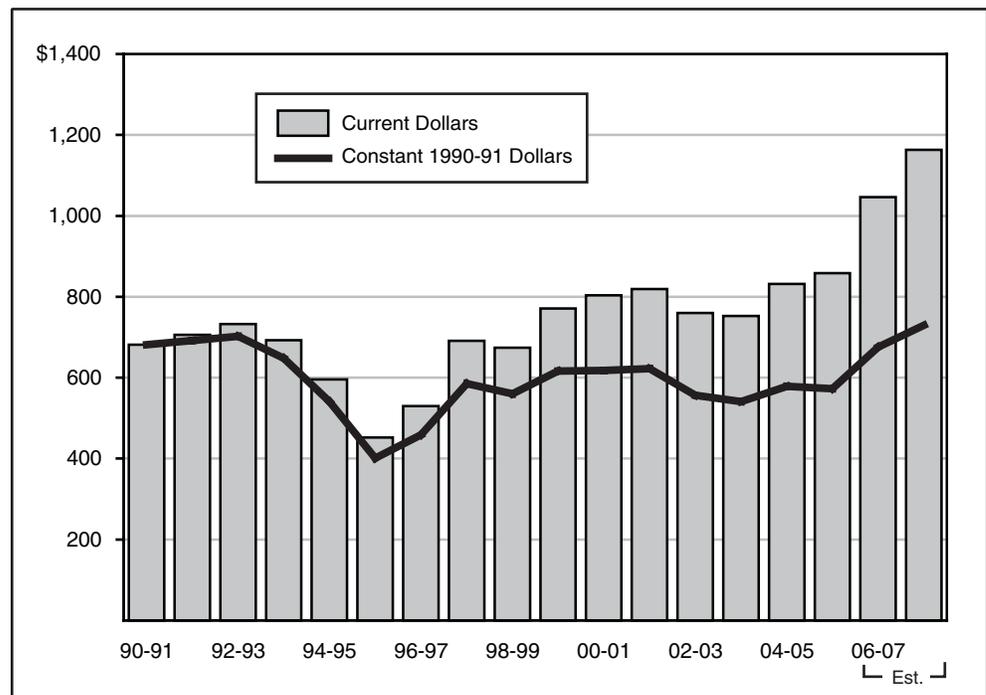
### **Rehabilitation**

- While the maintenance division is supposed to do preventative work and correct small problems before they grow, the State Highway Operations and Protection Program is tasked with correcting highway system issues through rehabilitation or reconstruction.
- Projects include pavement rehabilitation and highway safety enhancements.
- Funding comes from SHA and federal funds.



## Highway Maintenance Expenditures

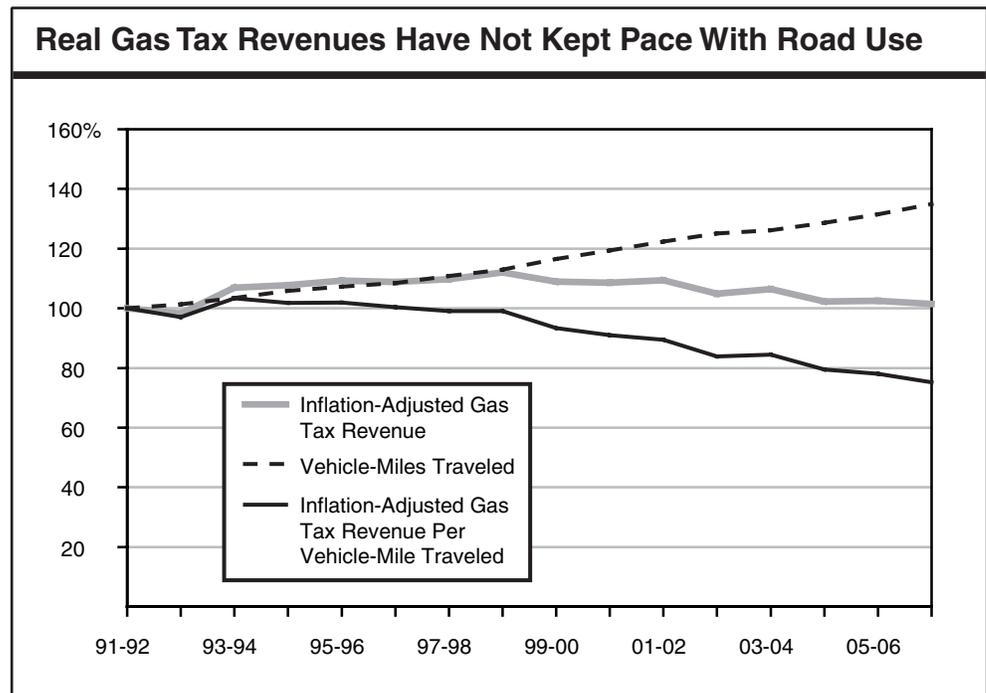
**Current and Constant Dollars  
1990-91 Through 2007-08  
(In Millions)**



- As shown in the above figure, spending on highway maintenance activities has fluctuated since 1990-91. (The last increase in the state gas tax—from 9 cents to 18 cents per gallon—was phased in from 1990-91 through 1993-94.)
- The figure also displays maintenance spending adjusted for inflation (current dollars). On this basis, expenditures have generally remained steady from 1990-91 through 2007-08.



## Existing Gas Tax Inadequate to Cover Maintenance and Rehabilitation Costs



- The California Transportation Commission projects that annual gas tax and weight fee revenues are insufficient to address all of the state's highway maintenance and rehabilitation needs. Over the next ten years, the state would have to spend about \$2 billion more per year to address these needs.
- The current state gas tax rate of 18 cents per gallon has been in place since 1994. Since then, inflation has eroded the value of per gallon tax revenues by 29 percent.
- As shown in the figure, between 1991 and 2006, travel on California's roads increased by about 35 percent. Meanwhile, gas tax revenues (adjusted for inflation) have not increased. As a result, the revenue generated per vehicle-mile traveled declined by more than 20 percent.



## Funding Highway Maintenance and Rehabilitation Over the Long Haul

---



### **Raise Gas Tax and Index for Inflation**

- In order to address the shortfall between current gas tax revenues and the state's highway maintenance and rehabilitation costs, we recommend the Legislature raise the gas tax.
- We estimate that the current rate would need to be increased by 10 cents per gallon to fund current maintenance and rehabilitation needs.
- We further recommend that the gas tax be indexed to inflation to prevent further erosion of the revenue over time.



### **Explore Mileage-Based Fees and Additional Toll Roads**

- Mileage-based fees and tolls offer an advantage over gas taxes in that these revenues are not eroded by increasing fuel economy or use of alternative fuels. Rather, the fees would closely match the extent to which motorists use highways and roads.
- We recognize that there are privacy and technical obstacles to overcome in implementing a mileage-based approach to fund transportation. Accordingly, we recommend the Legislature examine the policy and implementation issues that must be addressed if mileage-based fees were to be implemented.
- As an interim step towards possible greater reliance on toll revenue, the Legislature could authorize additional toll projects on a pilot basis and direct an evaluation of toll roads, including their effect on low-income drivers.