

Overview of State Highway and Road Programs and Funding

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Conference Committee on SBX1 4 and ABX1 3
Senator Beall, Chair
Assembly Member Gomez, Chair





Major State Highway and Road Programs

- Highway Maintenance Program.** The Highway Maintenance program employs state staff who perform routine maintenance and minor repairs to the state's highway system. The program also contracts with private construction companies for maintenance projects, such as installing thin overlays to protect pavement. The 2015-16 budget includes about \$1.4 billion for the program from state funds, including \$1.1 billion for routine maintenance and \$232 million for maintenance projects.

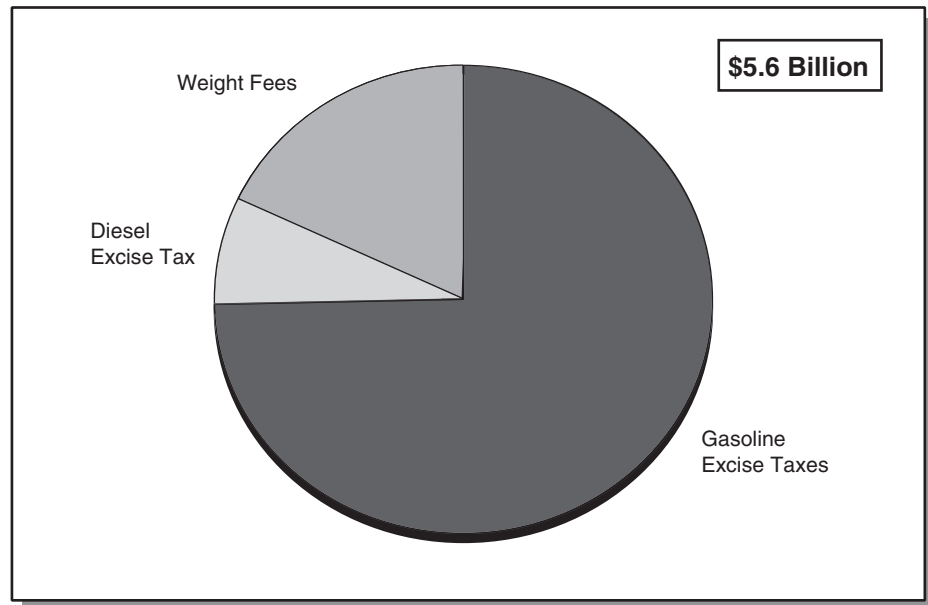
- State Highway Operation and Protection Program (SHOPP).** The Department of Transportation (Caltrans) administers the SHOPP, which is a program of capital projects to reconstruct and improve the safety of the state's existing highway capacity. Caltrans estimates that it will allocate about \$2.3 billion in transportation revenues to SHOPP in 2015-16, including about \$1.5 billion in federal funds and about \$800 million in state funds.

- State Transportation Improvement Program (STIP).** The STIP is the state's program to expand the capacity of regional and interregional transportation systems. Program funding is allocated 75 percent to counties for regional transportation priorities and 25 percent to Caltrans for interregional projects. For 2015-16, formulas established in state law provide about \$300 million for STIP.

- Local Streets and Roads.** The state also provides funding to cities and counties for their local streets and roads. For 2015-16 estimated funding for local streets and roads is \$1.4 billion.

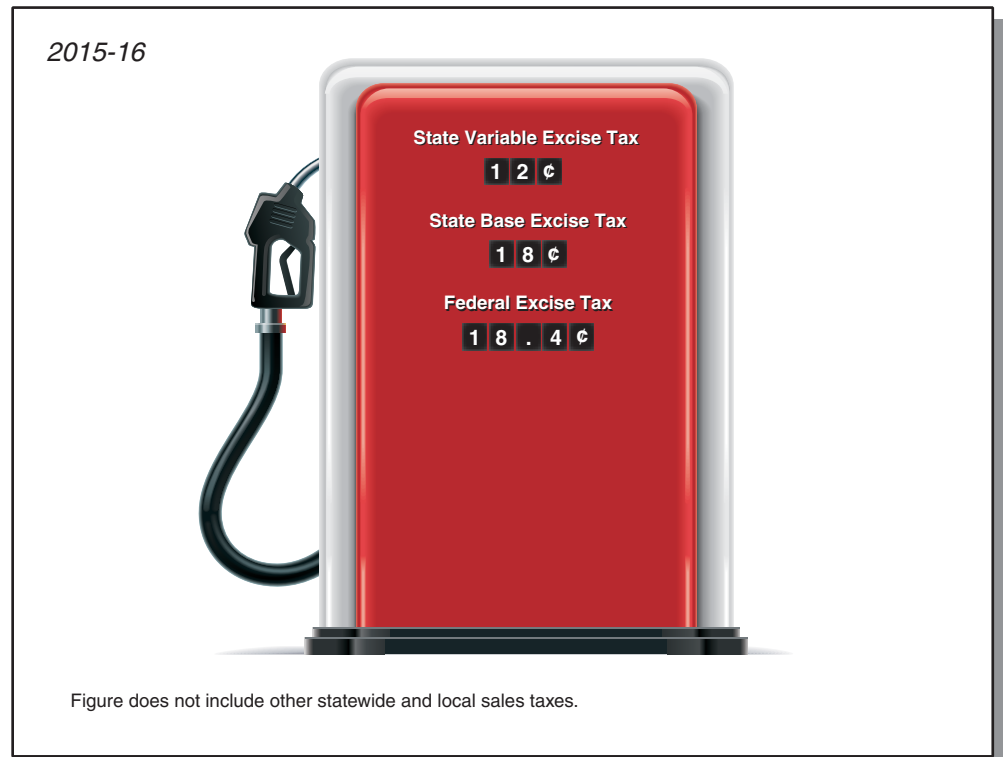


State Revenues for Highways and Roads 2015-16



- The 2015-16 budget includes an estimated \$5.6 billion in state transportation revenues for highways and roads.
- About three-fourths of this funding comes from state excise taxes on gasoline. The remaining one-fourth comes from an excise tax on diesel fuel and from vehicle weight fees.

Gasoline Excise Taxes: Revenues



State Base Excise Tax Revenue

- The state collects a base excise tax of 18 cents per gallon of gasoline. In 2015-16, this tax is estimated to generate about \$2.5 billion.



State Variable Excise Tax Revenue

- The state also collects a variable excise tax on gasoline, the rate for which is set annually by the Board of Equalization (BOE). The BOE has set this rate at 12 cents per gallon in 2015-16, which is estimated to generate about \$1.7 billion in revenue.



Gasoline Excise Taxes: Uses



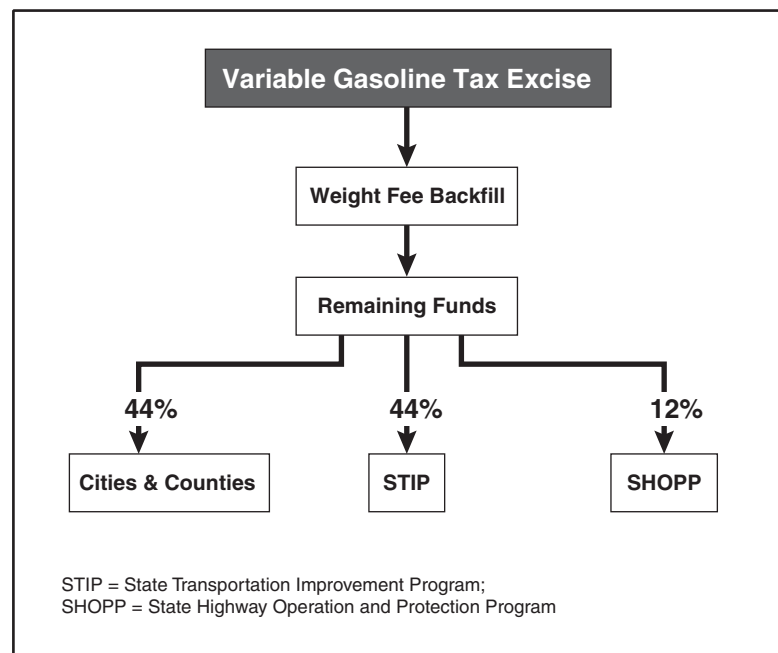
State Base Excise Tax Uses (18 Cents)

- Two thirds of this revenue is deposited into the State Highway Account (SHA), amounting to about \$1.7 billion in 2015-16. The SHA funds the Highway Maintenance program, SHOPP, and Caltrans administration.
- One third is allocated to cities and counties for local streets and roads, amounting to about \$800 million in 201516.

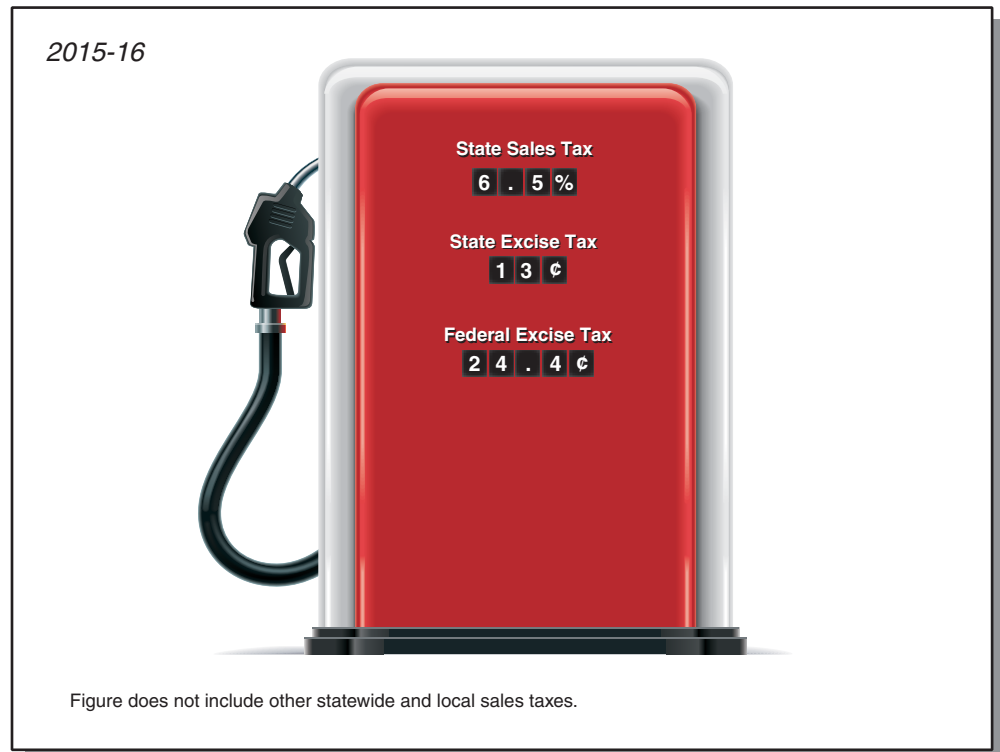


State Variable Excise Tax Uses (12 Cents)

- The first \$1 billion of this is deposited in the SHA to backfill the loss of weight fee revenue, as discussed later. Of the remaining revenue, 44 percent is allocated for local streets and roads, 44 percent for the STIP, and 12 percent for SHOPP, as shown in the figure below.



Diesel Excise Taxes: Revenues and Uses



State Diesel Excise Tax Revenue

- The state collects a variable excise tax on diesel, the rate for which is set annually by BOE. The BOE has set this rate at 13 cents per gallon in 2015-16, which is estimated to generate about \$440 million.

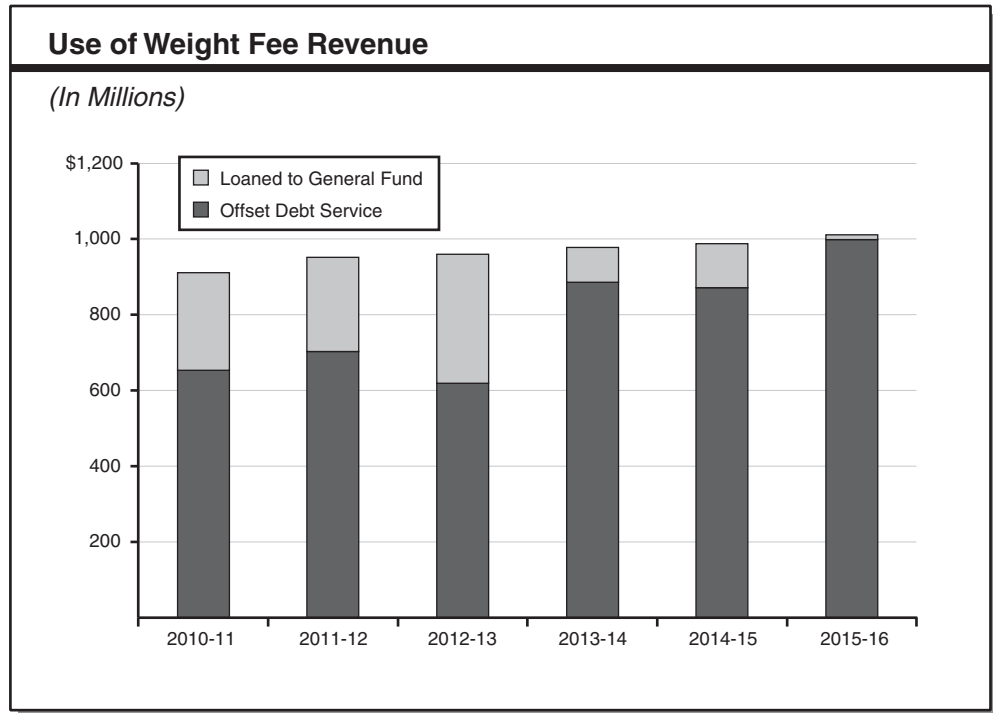


State Diesel Excise Tax Uses

- Revenue generated from six cents of this tax is allocated to cities and counties for local streets and roads. The remainder of the revenue is deposited into the SHA to fund the Highway Maintenance program, SHOPP, and Caltrans administration.



Weight Fees



Weight Fee Revenues

- Weight fees are registration fees charged to vehicles that carry heavy loads on the state’s roadways, such as commercial trucks. Weight fees generate about \$1 billion annually.



Weight Fee Uses

- In addition to ongoing revenues, the state has issued general obligation bonds in order to pay for transportation projects. The debt-service costs of outstanding transportation bonds is estimated to be about \$1.3 billion in 2015-16.



Weight Fees

(Continued)

- Since 2011, vehicle weight fees have been used to offset a portion of the debt-service costs on transportation bonds, rather than fully paying these costs from the General Fund. The 2015-16 budget uses about \$1 billion in weight fees to pay debt service on transportation bonds, with the remainder of the costs paid from certain miscellaneous revenues and the General Fund.
- In years when weight fee revenues exceeds the amount necessary to pay eligible transportation debt service costs, the remaining revenues are loaned to the General Fund. In years when eligible debt service exceeds weight fee revenues, these loans will be repaid and used to offset the higher debt-service costs.