



# Funding Our Transportation System

## Santa Cruz County's Transportation System

Sound infrastructure is the backbone of a healthy community and strong local economy. Santa Cruz County's existing transportation network comprises a broad range of transportation facilities and modes.

Traditional state and federal funding sources, such as gas taxes, generate less than half of what is needed to maintain and improve the multimodal transportation system. In response to decades of state and federal underinvestment, a supermajority of Santa Cruz County voters approved in November 2016 Measure D which invests an additional \$19 million per year into our multimodal transportation system. In April 2017, the state legislature finally approved Senate Bill 1 (SB1) which is expected to provide an additional \$9 million per year to the County of Santa Cruz and our cities to maintain local roads and an extra \$3 million per year for local public transit.

### ***Santa Cruz County's Multimodal Transportation network includes:***

- ***6 state highways***
- ***Nearly 900 miles of streets and roads***
- ***Extensive bus system that carries over 5.5 million riders each year***
- ***Specialized transport system for seniors and people with disabilities***
- ***Sidewalks***
- ***Over 200 miles of bikeways***
- ***One airport***
- ***Publicly owned rail line***

## 1. State of the System

Maintaining the existing transportation network in Santa Cruz County is critically important.

- The local street and road network, which serves people using cars, bicycles, sidewalks, transit, and trucks, is in poor condition.
  - ✓ In 2016, the countywide average Pavement Condition Index (PCI) countywide was 50 or at risk of failure (100 = new road in excellent condition, <25 = completely failed).
  - ✓ \$150 million is needed to immediately bring all local streets and roads into good condition. If sidewalks, drainage, and other related components are included, the number climbs to over \$350 million.
  - ✓ Prior to passage of Measure D and SB1, the average amount budgeted to operate and maintain local roads in all five jurisdictions was less than \$8 million/year, whereas the need is over \$20m/year just to maintain it at the current level.
  - ✓ Every \$1 spent on preventative maintenance eliminates or delays \$6 to \$10 of rehabilitation or reconstruction. Costs increase exponentially.
- Peak usage periods on Highways 1, 17, 129, and 152 are becoming longer.
- Spill over traffic from Highway 1 impacts local streets and roads.
- Transit and paratransit vehicles need to be replaced or risk breakdown, leaving riders without a bus.
- Ownership of the rail corridor requires ongoing maintenance.

## 2. Funding Challenges

Declining and unpredictable funding sources, aging infrastructure, rising construction costs, and new regulatory requirements all contribute to a funding shortfall. Heavier vehicles, better vehicle fuel efficiency, increasing traffic and the need for expanded transit service, bicycles and pedestrians facilities place increased demands on the transportation system even as funding continues to decline. Relying on traditional funding sources will put us further behind and cost us and future generations more in the long run.

- ✓ Most transportation funding comes from revenue generated at the gas pump.
- ✓ Federal gas taxes have not been raised since 1993; state gas taxes were reduced about 12 cents over the past three years.
- ✓ Gas tax revenues have less purchasing power due to inflation and increased fuel efficiency.
- ✓ Budget constraints have precluded needed maintenance.
- ✓ Because of a drop in state gas taxes, ZERO funds are available for new projects in the State Transportation Improvement Program (average annual \$3.5m).
- ✓ External factors -- changes in the economy, state or federal actions, fuel use, environmental mandates, etc. - can impact conditions and revenues, and may change significantly from year to year.
- ✓ The vast majority (75%) of revenues are highly restricted (or “dedicated”) by federal, state, or local regulations for use by specific jurisdictions, agencies and/or types of projects.
- ✓ Nearly one third of local, state, and federal transportation funds coming into our county can only be used on transit operations and projects (includes: Federal Transit Administration grants, rider fares, and \$19 million/year from a local half-cent sales tax approved by voters in 1978 designated for the Santa Cruz Metropolitan Transit District).
- ✓ Discretionary, relatively flexible funding typically available to a variety of types of projects, makes up about 25% of the local, state and federal funding. The Regional Transportation Commission (RTC) has discretion over less than 6% of the funds available for transportation projects (\$5-7 million per year). These funds are from regional shares of the State Transportation Improvement Program (STIP) and Regional Surface Transportation Program (RSTP). The RTC typically distributes these funds through a competitive process based on priorities identified in the RTP policy element and criteria established by the California Transportation Commission (CTC) and federal law. Other agencies are responsible for selecting projects for the remaining funds.
- ✓ While approximately \$120 million per year is available for transportation in Santa Cruz County, this is less than half of what is needed to fund the transportation system and these revenues can be incredibly unreliable and unpredictable, especially since State and federal actions can result in elimination of certain funding programs or diversion of transportation funds to other programs.
- ✓ Many competitive and formula state and federal funding programs favor larger regions. As a relatively small county, it can be very challenging to compete for many state and federal funding programs.
- ✓ Due to federal regulatory changes, Santa Cruz County no longer receives Congestion Mitigation and Air Quality Improvement (CMAQ) Program funds (was about \$2.5 million per year.)

***Since 2010, several sources that agencies had historically relied upon for transportation projects were eliminated and redirected to the State General Fund- including the sales tax on gasoline (Proposition 42) and redevelopment funding.***

### 3. Funding Solutions

The influx of nearly \$19 million per year from Measure D, a reliable local source, and nearly \$10 million per year from Senate Bill 1 (SB 1) will greatly help the County of Santa Cruz, cities, Santa Cruz METRO, Community Bridges Lift Line, and the RTC to address some of the significant backlog of maintenance and community priorities.

**Annual Distribution Estimates for Measure D and Senate Bill 1**

	Measure D	Senate Bill 1	Total
Capitola	288,604	232,000	520,604
Santa Cruz	1,165,655	1,479,000	2,644,655
Scotts Valley	251,531	278,000	529,531
Watsonville	779,934	1,210,000	1,989,934
County Uninc.	2,648,392	2,800,000	5,448,392
SC METRO	3,004,862	1,586,000	4,590,862
Comm. Bridges	751,215		751,215
Highway Projects	4,695,096		4,695,096
Active Transp.	3,192,665		3,192,665
Rail Corridor	1,502,431		1,502,431
Hwy 9 & Hwy 17 Wildlife Xing	500,000		500,000
Transit		1,586,000	1,586,000
STIP (regional capital projects)		600,000	600,000
<b>Total</b>	<b>18,780,385</b>	<b>9,771,000</b>	<b>28,551,385</b>

With passage of Measure D, Santa Cruz County became a “self help” county, joining 85% of California’s population that lives in counties whose voters approved a transportation ballot measures. As a self-help county, Santa Cruz County will receive a share of \$200 million available annually statewide through SB1 specifically for self-help counties. SB1 also doubles the amount of state funding available for Freeway Service Patrol (FSP) programs and RTC will get its formula share. In addition, Santa Cruz County jurisdictions will be able to compete for Active Transportation Account funds under SB1 for bicycle and pedestrian projects.

#### Longer Term

Unfortunately, even with Measure D and increases to state gasoline taxes and fees approved through SB1 in April 2017, California and the nation will need to identify new ways to cover the cost to operate and maintain the transportation system

A major challenge is that transportation has historically been funded by revenues generated at the gas pump. While use of roads, transit, and bicycle and pedestrian facilities is ever increasing, the purchasing power of state and federal gas taxes and fees have not kept pace with the cost to operate and maintain the transportation system. Federal gas taxes, which are collected per gallon, have not been increased since 1993. As more vehicles get better gas mileage or use alternative fuels or electricity, fewer gas taxes are collected for the same amount of vehicle miles traveled; so while gas prices have increased, gasoline tax revenues have declined steeply as compared to how much people drive resulting in significantly less funding for transportation projects.

## Road User Charges

The decline in purchasing power of gas tax revenues due to inflation and decline of revenue on a per-mile basis as vehicles become more fuel-efficient has caused leaders around the U.S. to look for alternatives to funding our transportation system. A number of states are looking towards a road usage charge (a.k.a. mileage based user fee or vehicle miles traveled-VMT fee) where drivers would pay for the roads, as they do other public utilities, based on how much they use them. With technological advancements this new approach to directly charge roadway users has become feasible. This type of system can be implemented while still protecting the privacy of road users. Road user charges will cost more to collect than the gas tax but could produce greater and more stable net revenue over the next 25 years.

In July 2013, Oregon became the first state in the US to adopt a bill for road usage charge pricing. The Oregon legislation (OR-Senate Bill 810) will result in an operational 5,000 person volunteer program to implement a road usage charge system for cars and light commercial vehicles. Participants will pay this per-mile fee instead of the traditional fuel tax and will receive an automatic tax credit for fuel used. The state of Washington is developing a similar program. Caltrans and the (CTC) are conducting a voluntary pilot program to study the feasibility of a mileage-based fee to replace existing gas taxes in California.

While federal and state agencies are investigating replacing the deteriorating gas tax with a road user charge based on the number of miles driven this funding option is unlikely to be realized for many years.