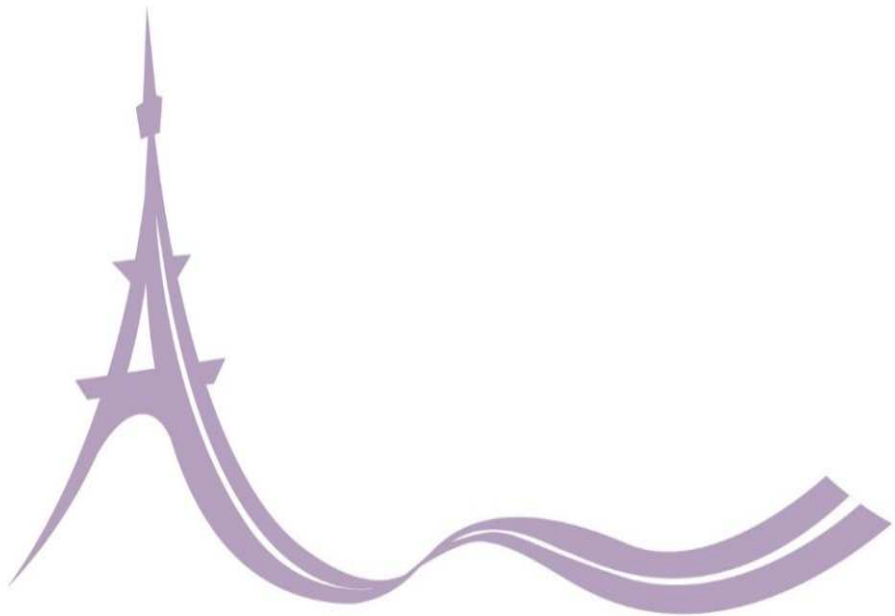


IMPROVE OUR ROADS

The Search for Sustainable Funding



PAVEMENT PRESERVATION & RECYCLING SUMMIT

PPRS PARIS 2015
FEBRUARY 22-25

Norma Ortega
California
Department of
Transportation



TRANSPORTATION IN THE UNITED STATES

National Facts

1

United States Transportation Facts



United States Roadways Are Deteriorating



REVENUE

A National Challenge

2

Major Source of Revenue- Excise Taxes on Fuel

› Gasoline

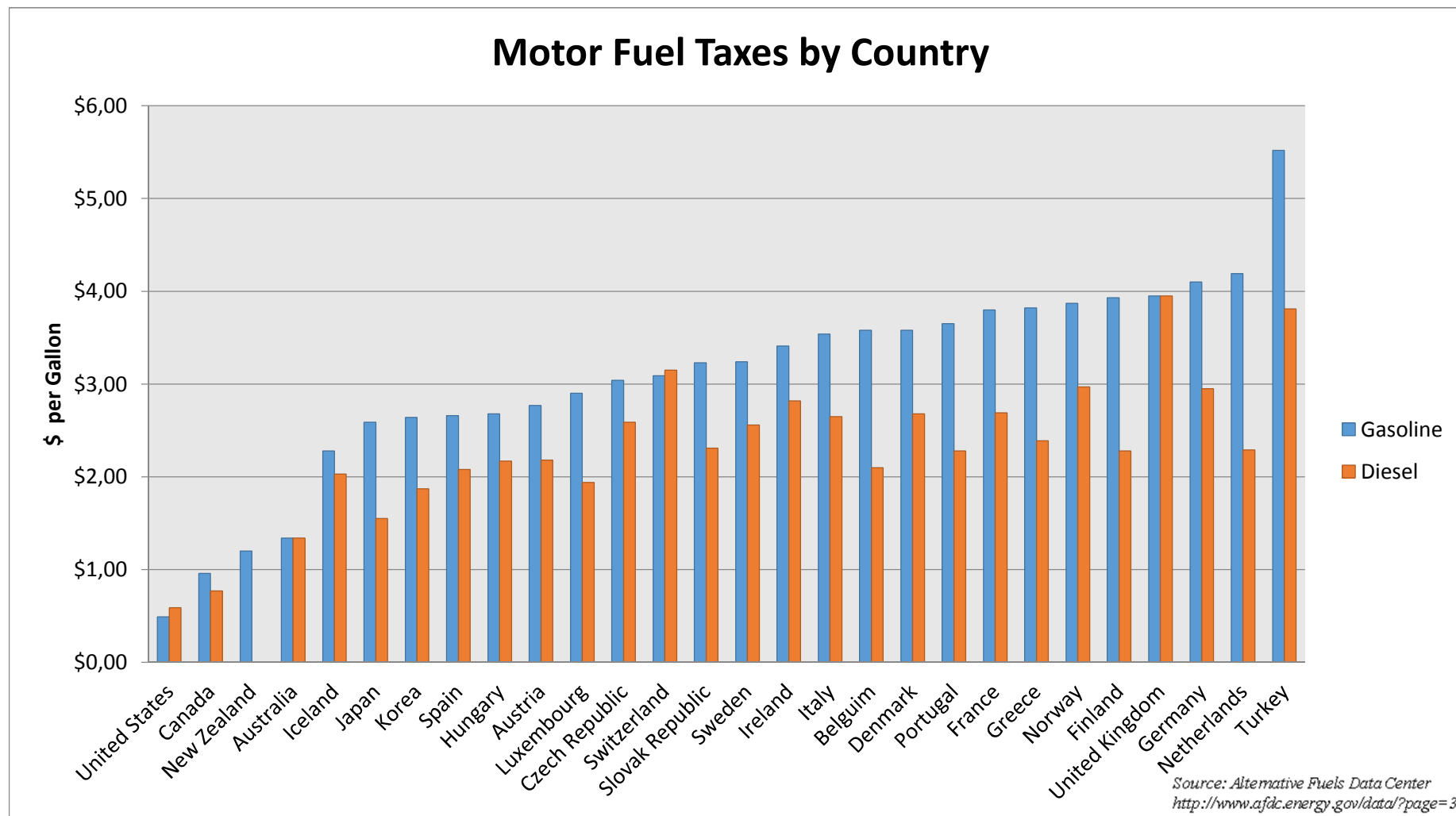
- Federal Excise - 18.4 cents per gallon
- Average State Excise Tax – 20.6 cents per gallon

› Diesel

- Federal Excise – 24.4 cents per gallon
- Average State Excise Tax – 19 cents per gallon

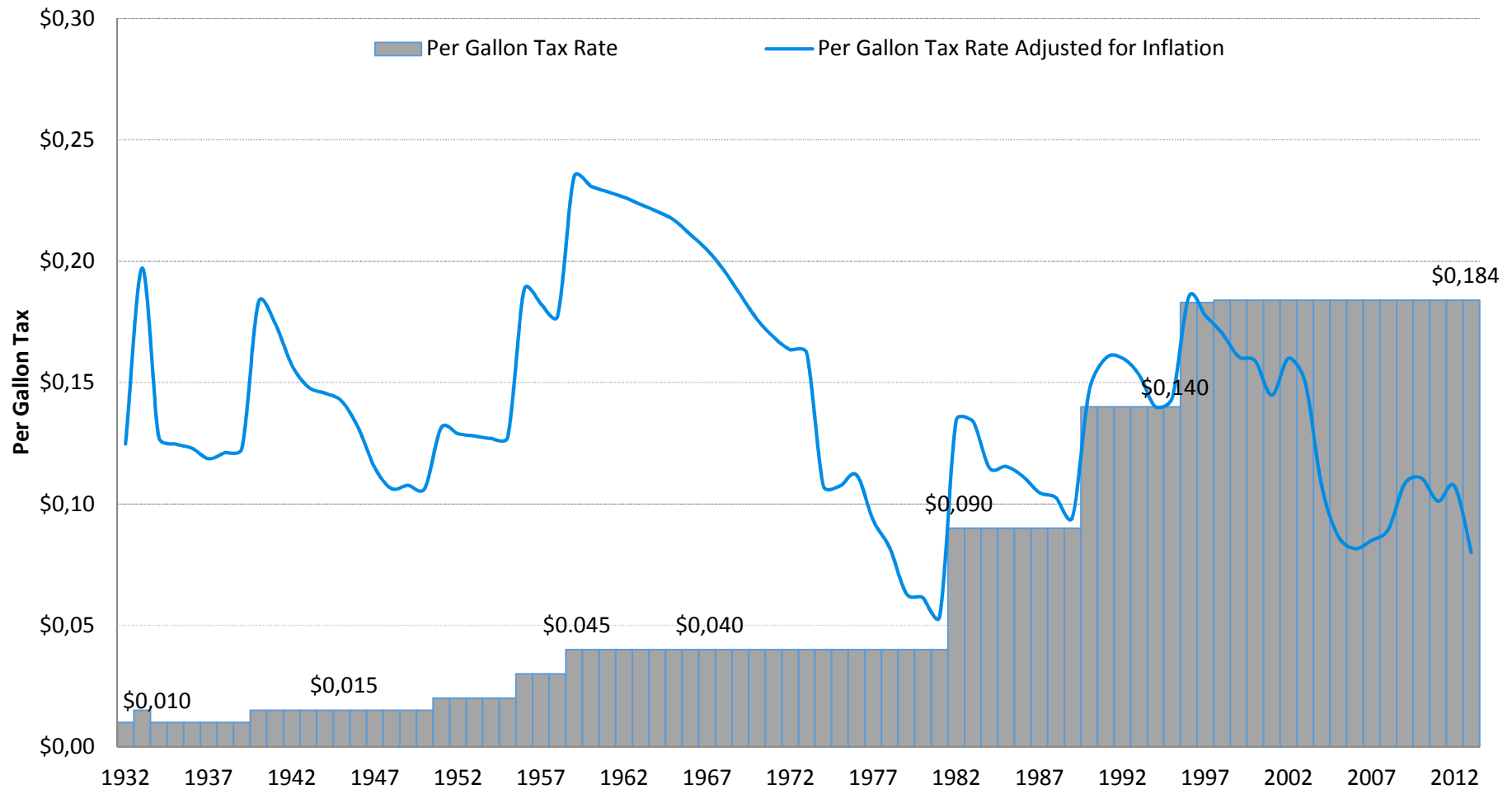


Fuel Taxes by Country



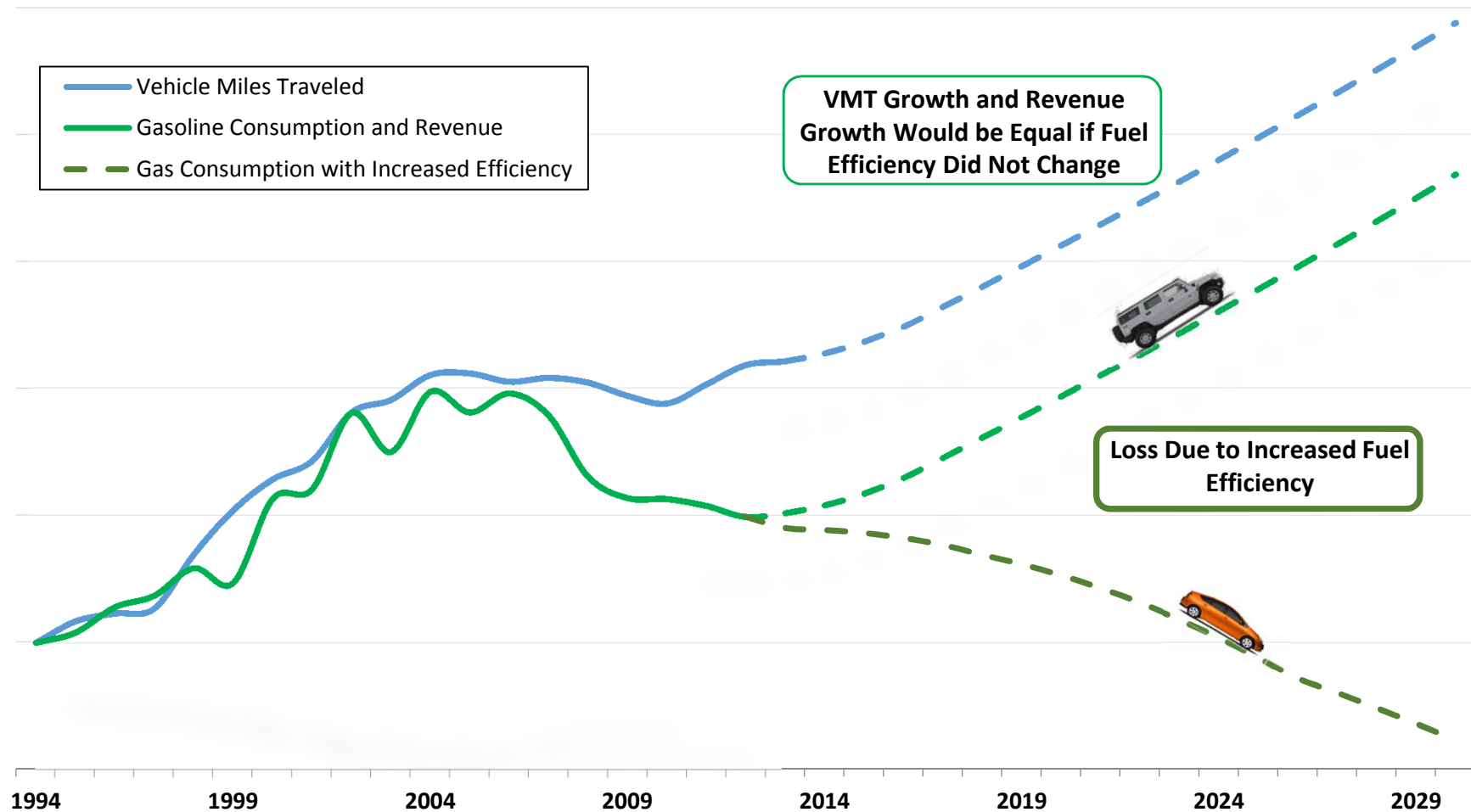


History of the Federal Gasoline Excise Tax



Source: Congressional Research Center. Escalation based on California State Highway Construction Cost Index and U.S. Consumer Price Index

Revenue Loss Due to Increases in Fuel Economy



Revenue Loss calculated at an average \$0.36 per gallon combined state excise tax(base and price-based), between 2013 and 2030.

A CALL TO ACTION

3

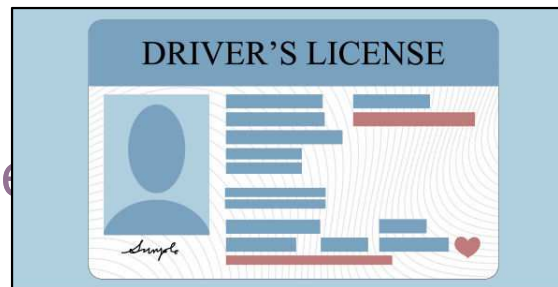
Possible Funding Options/Solutions

Federal Funding for Highways

- › In 2011, 27 percent of transportation infrastructure funds came from the federal government
- › The role played by the federal government varies widely from state to state
- › The President has proposed adding a 14 percent corporate tax on overseas earnings to alleviate the federal highway trust fund shortfall and create a long-term funding solution
- › Even if federal funding is stabilized, state and local governments must still identify additional revenue

Funding the Gap - Options/Solutions

- › Fuel Taxes
- › Vehicle License or Registration Fees
- › Sales Tax
- › Tolling
- › Public-Private Partnerships
- › Cap & Trade
- › Road Usage Charges





Fuel Taxes

- › Every State imposes taxes on gasoline and diesel fuel, from a low of 8 cents per gallon to over 30 cents per gallon
- › Excise tax collection on each gallon sold is one of the most well established and easiest tax collection methods
- › Provides only temporary relief as inflation and improved gas mileage continue to be an issue



Vehicle Licensing or Registration Fees

- › Every state in the U.S. has a registration fee, however, the amounts levied and the uses vary greatly by state
- › Some states are currently attempting to pass increased registration fees to pay for road and bridge maintenance and repair
- › Oregon proposed one such increase for local roads, but the measure failed to pass a popular vote



Sales Tax

- › Many states are considering either regional, statewide, temporary and/or permanent sales tax increases to pay for transportation
- › Sales tax is typically considered to be a revenue of a State's general fund rather than a dedicated revenue source, which makes stable funding more tenuous
- › Transportation funding usually roughly fee based. Funding with a general sales and use tax removes the nexus between usage and taxation

Tolling

- › Tolling is prevalent in eastern states, but less so in the west
- › 29 of the 50 States have one or more toll lanes, bridges, or tunnels
- › Electronic Toll Collection has significantly reduced both overhead and delays associated with tolling, leading to increased interest amongst the states
- › High occupancy toll lanes, express lanes and demand pricing reduce congestion while raising revenue



Public Private Partnerships

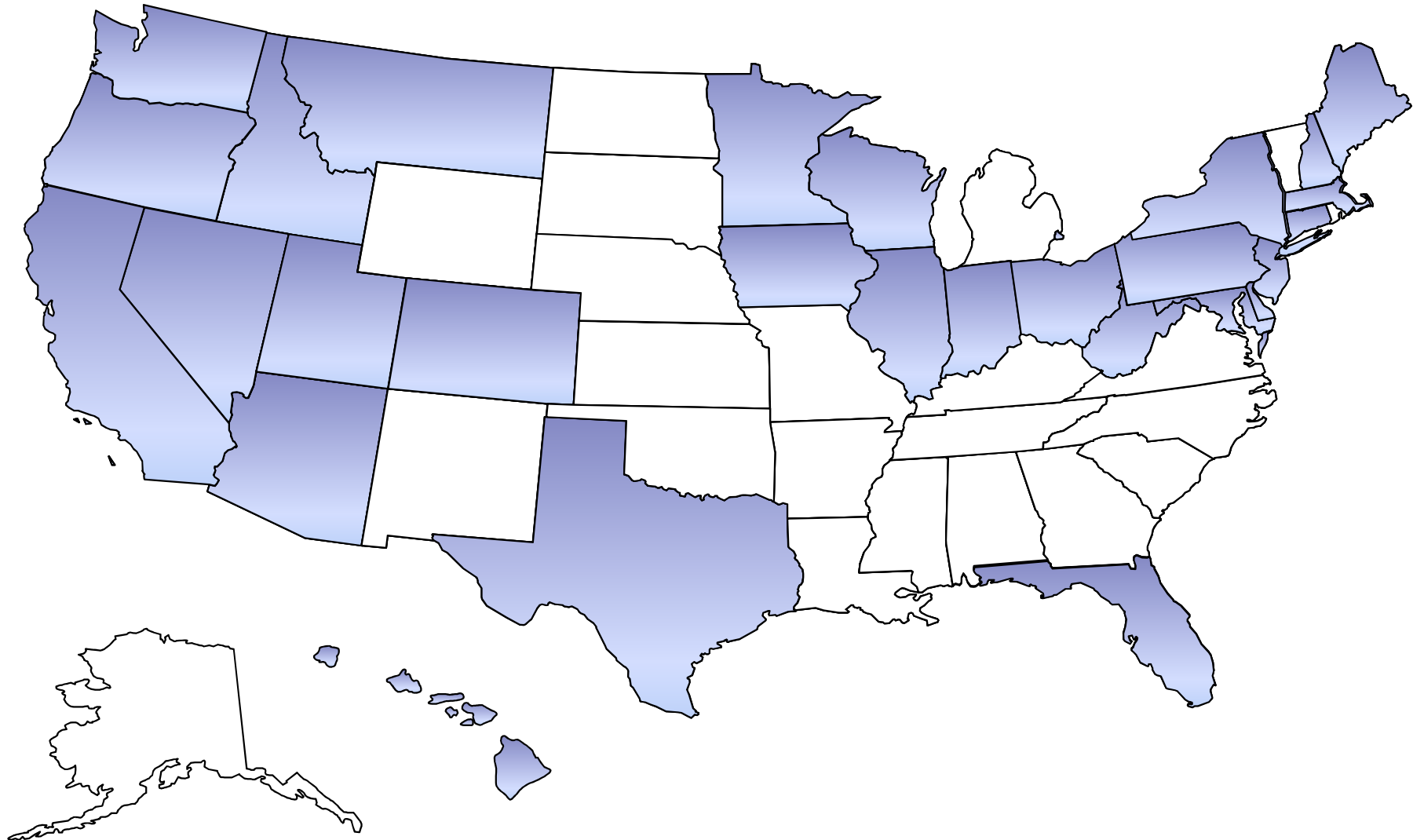
- › A financing tool, useful for a select number and type of projects but do not provide a general funding solution
- › Allow the government to move forward with projects for which there is insufficient capital funding
- › Create a transfer of risk from the government entity onto the private entity



Cap and Trade

- › California was the first in the United States to implement Cap and Trade in 2012
- › As of September 2014, California has sold \$2.27 billion in CO₂ allowances
- › Proceeds are not directly funding road transportation
- › Funding for High Speed Rail and Transit programs create secondary benefits, relieving congestion and reducing maintenance costs on state and local roads

Road Usage Charge



CONCLUSION

- › Communicate the cost of doing nothing
- › Demonstrate efficiencies, performance and accountability
- › Consider Traditional and Innovative Solutions



Norma Ortega, CFO
CA Dept. of Transportation
Norma.Ortega@dot.ca.gov