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LAO 75 YEARS OF SERVICE

Highway Maintenance and Repair Needs

Presented to:
Assembly Budget Subcommittee No. 3
On Resources and Transportation
Hon. Richard Bloom, Chair

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Overview of Highway Maintenance and Repair Programs

State Highway Repair Programs Perform Various Types of Work

Highway Maintenance Program		SHOPP	
Minor Maintenance	**Major Maintenance**	**Minor Rehabilitation**	**Major Rehabilitation**
• Performed on highway components in good condition. • Examples include filling potholes, damage assessment, and bridge painting. • Work performed by Caltrans staff.	• Performed on highway components in good or fair condition. • Examples include thin pavement overlays, bridge joint seals, and culvert debris removal. • Work performed by contractors.	• Performed on highway components in distressed condition. • Examples include thick pavement overlays and concrete panel replacement. • Work designed by Caltrans staff and performed by contractors.	• Performed on highway components in distressed condition. • Examples include complete removal and replacement, reconstructing road base, and mitigating erosion around bridge foundations. • Work designed by Caltrans staff and performed by contractors.

SHOPP = State Highway Operation and Protection Program.

☑ ***Highway Maintenance Program.*** In 2015-16, Caltrans plans to spend $1.4 billion for highway maintenance, including $1 billion for minor maintenance and $434 million for pavement, bridges, and culverts.

☑ ***State Highway Operation and Protection Program (SHOPP).*** In 2015-16, Caltrans plans to spend $2.3 billion for the SHOPP, including $1.2 billion for pavement, bridges, and culverts in SHOPP.

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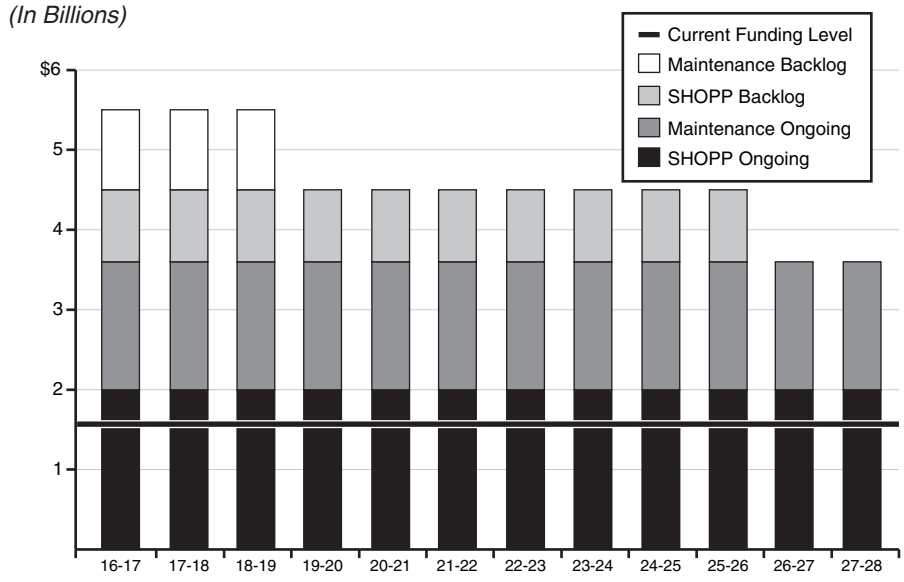
LAO Assessment of Highway Repair Needs

Summary of LAO Estimate of Major Highway Maintenance and SHOPP Needs



SHOPP = State Highway Operation and Protection Program.

☑ We estimate that the state has ongoing highway repair needs of about $3.6 billion annually as well as an existing backlog of needed repairs totaling roughly $12 billion. This is significantly higher than can be addressed through the existing funding of about $1.6 billion annually for these purposes.

☑ The above figure summarizes the annual funding required to meet the ongoing needs and address the maintenance backlog in three years and highway rehabilitation backlog in ten years. Specifically, we estimate that the total amount needed for highway repair programs in 2016-17 is roughly $5.5 billion and would decline to $3.6 billion annually beginning in 2026-27.

LAO Recommended Roadmap for Addressing Repair Needs

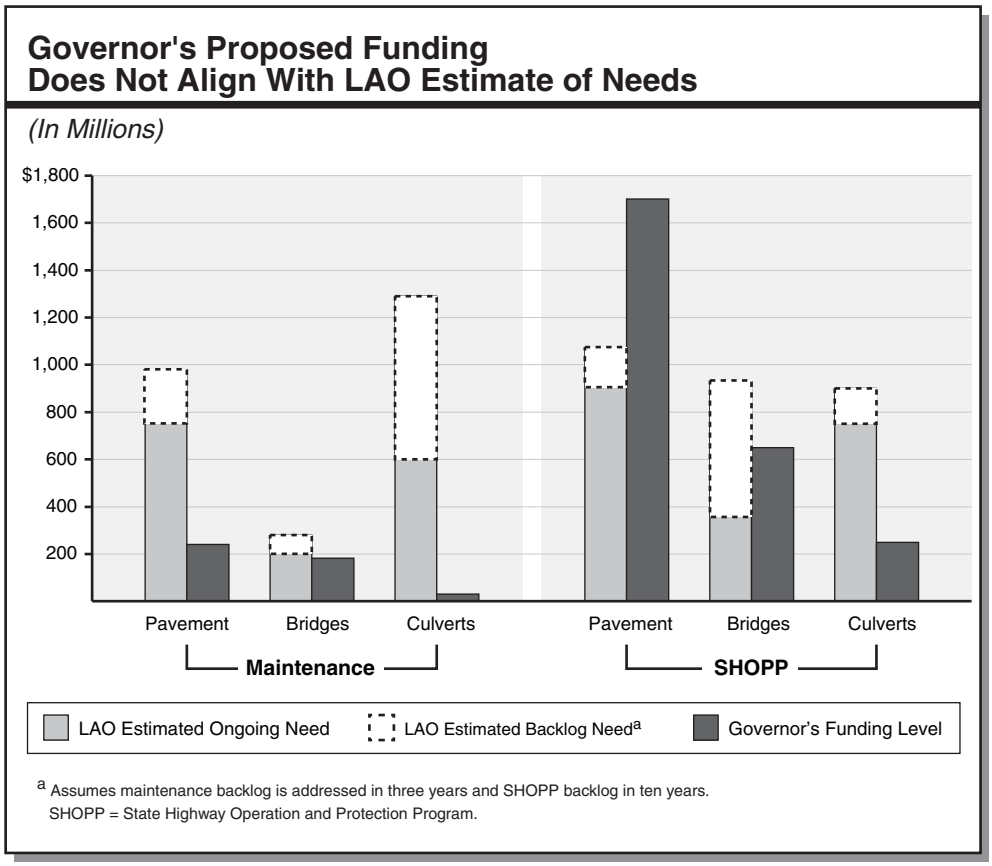
☑ ***Prioritize and Fully Fund Highway Maintenance Program.*** We recommend making the Highway Maintenance Program the highest priority for additional transportation funding, because maintenance projects are significantly more cost-effective than allowing highways to deteriorate such that a SHOPP rehabilitation project is needed. We estimate an additional $1.1 billion is needed annually, as well as about $3 billion on a one-time basis to address the existing backlog.

☑ ***Prioritize SHOPP Needs Next.*** After meeting the needs of the Highway Maintenance Program, we recommend that the Legislature make additional funding for SHOPP projects its next priority. We estimate an annual ongoing shortfall of around $800 million and a one-time $9 billion need to address the current backlog of projects.

☑ ***Align Funding Sources With Funding Priorities.*** Permanent ongoing revenues (such as permanent taxes) are best used to meet ongoing needs, while backlogs of work do not require ongoing funding and can instead be addressed with one-time or temporary funding sources (such as bonds, temporary taxes, or redirections from existing revenues).

☑ ***Adopt Accountability Measures to Ensure Effective Use of Funds.*** We recommend that the Legislature adopt performance metrics that provide a comprehensive assessment of the condition of the highway system. We also recommend that the Legislature require Caltrans to provide more detailed information on the number of distressed bridges and their estimated repair costs. Additionally, we recommend requiring the California Transportation Commission (CTC) to perform project-level oversight of SHOPP.

Governor's Proposal Falls Short of Addressing Highway Needs



☑ ***Governor's Proposal.*** The Governor proposes a $3.6 billion annual increase for transportation infrastructure with $1.4 billion for state highway repairs.

☑ ***Provides Little Funding to Meet Major Highway Maintenance Needs.*** The Governor's proposal provides only a $20 million increase for major maintenance projects in the Highway Maintenance Program, which is insufficient to meet both ongoing and backlog needs.

Governor's Proposal Falls Short of Addressing Highway Needs *(Continued)*

☑ ***Generally Funds Short-Term SHOPP Need, but Mix of Projects Not Aligned With Needs.*** Nearly all of the $1.4 billion increase for state highways would fund rehabilitation projects in SHOPP. We find that the mix of pavement, bridge, and culvert projects that the Governor proposes to fund does not align with the actual needs of SHOPP.

☑ ***Provides More SHOPP Funding Than Needed in Long Run.*** Under the Governor's proposal, once the existing backlog of SHOPP projects is eliminated, SHOPP would receive about $600 million more each year than needed to meet ongoing needs.

☑ ***Governor's Accountability Measures Are Limited.*** Although the Governor establishes certain performance goals for highway assets, the proposal lacks a specific goal for how much highway pavement would be kept in good condition and Caltrans is already meeting the bridge condition goal under existing funding levels. In addition, under the Governor's plan, CTC would have the authority to withhold future funding from Caltrans if it determines that program funds were not appropriately spent. However, CTC could only withhold all SHOPP funding from Caltrans rather than for specific projects that CTC determines to have problems. Given the extreme nature of withholding all program funding and the negative consequences on all SHOPP projects, CTC would likely be hesitant to use this authority, resulting in limited accountability.