

**PRESENTATION IN APRIL 2005**  
**Dan Kovacich**

One of the roles of the Regional Transportation Planning Agency is to look forward into the future and determine what the transportation needs within our region will be. This work is done in the context of preparing the Regional Transportation Plan, which is updated every 3 years. The last update of the Regional Transportation Plan was completed in 2004 and, at that time, it was identified that there will be approximately \$4 billion in transportation needs over the next 20 years in Shasta County. These needs, when compared with approximately \$2 billion in anticipated revenue, result in a bleak picture for transportation within Shasta County. Although the conditions are not absolutely terrible right now, if nothing is done conditions will continue to deteriorate and we will spend more time in traffic.

As you can see by the attached chart, needs exceed identified revenues by approximately \$2 billion. As you can see from the attached graph, on a nationwide basis, investment in transportation services is not keeping up with either the growth in population or the growth in vehicle miles traveled. In other words so many people have never driven so far with so little investment in the transportation system.

Two examples of major projects that do not appear to have any realistic chance of being funded are:

1. **to add another lane to Interstate 5.** Although many people in the community would like to think that congestion on Interstate 5 is created by people driving *through* our county, the reality is that much of the congestion on Interstate 5 is created by traffic generating and terminating *within* the county. However, it would not be reasonable to expect the region to fund this entire project. A 50/50 split with the state would seem to be appropriate.
2. Another project currently programmed in the State Transportation Improvement Program is to **add another lane from Dana Drive to downtown.** This project was originally programmed for construction in 2003-2004, however, that is about the time the roof started caving in in Sacramento. At the present time, the project is still programmed, however, I cannot predict if and when it will ever be funded due to budget problems and lack of funding in Sacramento.

As I indicated, things are not that terrible now but major projects require long lead times to construct and they require a predictable revenue source which, at the present time, we do not have.

The region will continue to have maintenance needs. Pavement condition continues to worsen due to lack of revenue to address failing pavement. As a result we can expect to see more potholes throughout the cities in the county. This will create more damage to autos. As you can see from the graph, as pavement deteriorates, the

costs to repair it go up exponentially. If a little bit of maintenance is done on a regular basis, pavement can be kept in good shape for many, many years. However, once pavement deteriorates beyond a certain point, it requires a complete rehabilitation of the surface which is very expensive. At the present time, the City of Redding has a \$30 million pavement maintenance deficit and it is estimated that the deficit is growing by \$2 to \$3 million annually.

A question you may be asking is, ***where has all the money gone and why is gas tax not the answer any more?*** There are several reasons why the gas tax is no longer the answer to our problems. In 1957, the gas tax was \$.06 per gallon. If that rate was indexed to inflation, the rate today would be about \$.35 per gallon. By comparison, the state gas tax is \$.18 per gallon. Therefore, the purchasing power of the state gas tax has been significantly eroded over time. Vehicles have become more fuel-efficient. Some do not even use standard gasoline or diesel. The average fuel efficiency in 1974 was 14 miles per gallon. Today it is 28 miles per gallon. As a result, we are driving more miles per year, but consuming less gasoline per mile driven.

***What are we going to do about this funding shortage?***

- Well, one course of action would be to stay with the status quo. I'll call that the **"Do Nothing Approach."** Under this approach there will be more congestion and we will spend *more time waiting in traffic*. The video that you are seeing is of South Bonnyview on a Wednesday afternoon. Some observations that I can make after observing traffic are that drivers will adjust to congestion by taking alternate routes. Drivers are very smart and know the network very well. As a result, everybody has a favorite shortcut and, as conditions on major arterials worsen, drivers will divert to residential streets or other paths. As a result this can create *unsafe conditions in residential areas* not intended for through traffic. As congestion worsens, drivers also tend to make more aggressive moves as gaps between cars narrow. This will lead to *more accidents and fender-benders*.
  
- As traffic continues to worsen as more and more people move to Shasta County, solutions will be developed to address spot problems with no overall systematic solution. An example of this is the efforts put forth recently by the City of Redding to form an **assessment district** to make some improvements at the South Bonnyview interchange. It will be interesting to see if the businesses in this area choose to tax themselves for additional improvements in their immediate vicinity. This will also lead to likely *disagreements with developers* over exactly what their fair share of improvements is.

***Why can we not rely on the state and federal government to bail us out?***

In this conservative era, the likelihood of increases in the gas tax are slim and none. There is no political pressure to find a solution

within California because nearly 80% of the state is already covered by sales tax earmarked for transportation. The sales tax range is from \$.005 to \$.01 and the proceeds are earmarked for transportation projects exclusively. As a result of this situation, it is highly unlikely that the California legislature will take the political risk of a statewide solution to our funding situation when many local agencies have stepped up to the plate to raise for their own regions. Sacramento continues to take money that has been otherwise earmarked for transportation and use it for general fund purposes. Proposition 42 was passed by the voters in 2002 by nearly a 70% margin. Part of Prop 42 allowed the state to retain the sales tax on gasoline sales in the general fund if they determined that there is a fiscal emergency. This determination has been made each of the last 2 years and is expected to continue in the foreseeable future. The governor has put forth a solution to traffic congestion statewide, however it is generally limited to public-private partnerships, also known as **toll roads**. I see very little likelihood of a toll facility being feasible within Shasta County.

The federal government has not reauthorized the T-21 federal transportation bill but is expected to do a 5-year extension in the near future. All indications are that there will be no increased funding coming from Washington.

We do have two projects in the region that are currently being considered for federal earmarks

- \$8 million is pledged toward Stillwater/Highway 44 widening. This will cover approximately 20% of the cost.
- \$5 million has been earmarked for the Buckhorn Grade improvement. This represents less than 5% of the anticipated cost of this project.

Although we seem to be garnering revenue from Washington, we will need other revenue to match it to complete projects.

As long as the state continues to have severe budget problems, it is expected that Prop 42 will continue to be suspended and will spent on other general fund priorities. However, even if Prop 42 is implemented, there is still a need for additional revenue within Shasta County. Although Prop 42 would provide local agencies within Shasta County nearly \$2 million a year to address either maintenance or capital issues.

**What should we do to address this problem?** The short answer is that we need to raise more money locally. There are several ways to do this.

- Assessment district financing is one method and that will be tested by the City of Redding to make some improvements near the South Bonnyview interchange. However, we need to recognize that assessment district financing is essentially debt financing.

Since there is no free lunch, it just means that we will pay later for improvements today.

- **Traffic impact fees** are another excellent source of revenue to construct new improvements. Currently, the City of Redding charges \$2,863 per residence and this is scheduled to increase to \$3,544 in July 2005. This will generate approximately \$46 million over the next 10 years and will fund 12 minor projects within the City of Redding. The City of Anderson is currently collected \$300 per residence, and the county is collected \$800 per residence. The county has been collecting this fee since 1991 and has accumulated nearly \$2.5 million. Although these sound like significant sums of money, the cost of major road projects is staggering. For example, to add an additional lane to State Route 44 between I-5 and Turtle Bay is expected to cost \$40 to \$50 million. Traffic impact fees can be an excellent program for addressing transportation improvements as a result of growth, however, it is important to note what is **not** covered under the various traffic impact fee programs. There are no major projects on the state highway system intended to be funded with traffic impact fees. Under the new paradigm of transportation financing, there is no mechanism for accumulating funds to address problems on the state highway system.
- **Developer Mitigation Fees** are also used consistently within urban areas. This is an excellent means where a clear nexus can be determined between the need for a project and the additional traffic generated by development. However, there are limitations to developer mitigation fees. A developer cannot be expected to fund current deficiencies of the system. As our area continues to grow, the current deficiencies will increase on our various facilities and could be challenged by developers in court as an inappropriate exaction.
- Another means of raising money locally is a **sales tax measure** with the proceeds to be dedicated to transportation. Generally these are \$.005 to \$.01 measures that requires local voter approval before a tax dedicated to a specific purpose. There would need to be a 2/3 majority for the measure to be implemented. The taxes typically have finite lives in that they go anywhere from 10 to 40 years. Voters are presented with a specific list of projects. There is local control over revenues generated, which creates the advantage of some certainty, and discretion over how the funds can be spent. If a countywide \$.005 sales tax were implemented, it would generate approximately \$12 million per year that could be used on transportation improvements and/or programs within Shasta County.