



Smart Growth America
Making Neighborhoods Great Together

California

Smart Transportation:
Save Money and Grow the Economy



Keep California Moving in the Right Direction

Save Money by Taking Better Care of What You Have

1. Dedicate more to maintain and repair existing roads and bridges.

Grow the Economy by Making Your Investments More Strategic

2. Fund the biggest job creator: public transportation.
3. Spark innovation and cost-savings through a competitive transportation solutions program.
4. Revisit near-term spending decisions and long-term project selection to improve transportation outcomes, add jobs, and grow California's economy.



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Smart Transportation:

Save Money and Grow the California Economy

Like the rest of the country, California's state budget and economy face significant challenges. These challenges also create the opportunity – indeed the imperative – to revisit existing programs and ask if California is really getting everything it can from them.

Right now, voters do not think the current approach is working. Polling nationwide shows people are dissatisfied with the economy and believe the nation is on the wrong track. People do not trust their state with their money. Only 10% of voters think the government spends money wisely while fully 86% think their state does a fair or poor job.

Moving forward, Americans do think there is a better way. In a recent survey by Hart Research Associates, 68% of those polled believe “now is the time for the state to invest in transportation because if done right these investments will create new jobs and attract new businesses.” Voters are clear about their hopes for their state, and Smart Growth America has practical solutions to help make that vision a reality.

In the following pages we outline an innovative, yet common sense approach to transportation spending that cuts costs, creates jobs, attracts businesses, and clearly shows that the state is responding to the fiscal and economic crisis with strong leadership that is not satisfied with a system that makes fair or poor use of taxpayer dollars.

The Need:

If it continues on its current path, California's transportation system is on track to become highly expensive, uncompetitive, and unsafe. California has invested heavily in transportation, but declining revenues and escalating debt service will reduce the state's ability to maintain its facilities in a state of good repair.

Carrying on business as usual will result in a deteriorated road network, inadequate transit network, and a six- to ten-fold increase in repair costs resulting from neglect and deferred maintenance.

The Smart Solution:

California is at a crossroads. While there is still a sizable gap between revenue and the large wish list of projects, this gap can be closed if the state makes strategic decisions about how to get the highest return on its investment. By making fiscally responsible choices about the state's transportation priorities, California can not only save money and create jobs, but it can also help preserve the transportation system and create a more welcoming business climate on the mid- and long-term horizons.

1. Dedicate more to maintain and repair existing roads and bridges

Spending more on repair and maintenance is a good investment: it saves the state money, saves citizens money, is a superior job creator, and is very popular among voters. According to the American Association of State Highway and Transportation Officials (AASHTO), every \$1 spent to keep a road in good condition avoids \$6-14 needed later to rebuild the same road once it has deteriorated. In addition, poor roads add an average of \$335 to the annual cost of owning a car – in some cities an additional \$740 more – due to damaged tires and suspensions and reduced fuel efficiency.

While California has invested heavily in repair and maintenance in recent years, insufficient investment over the long-term has led to a backlog of roads and bridges in “poor” and “deficient” condition requiring \$988 million annually in major rehabilitation costs over the next twenty years.

Funding, to the extent possible, the annual maintenance need to keep California’s road and bridge system in a state of good repair - currently \$3.4 billion - is the most fiscally responsible transportation investment the state can make.

California should strive to fully fund the annual repair need or as much of it as possible based on near-term highway revenue forecasts. Prioritizing system preservation will save taxpayers hundreds of millions of dollars, while improving road and bridge conditions. The investment in maintaining infrastructure will also pay off in job creation. Numerous studies find that maintenance and repair creates even more jobs than building new roads.

Without a renewed commitment to system maintenance and repair, the state ensures a network of declining quality – with attendant safety problems, additional cost to California families for car repairs, and a loss of economic competitiveness as businesses target states with better freight access.

Repair Costs for Road and Bridge Network

Caltrans major roads (lane miles) ¹	51,346
Lane miles in “poor” condition ²	9,905
“Structurally deficient” bridges ¹	(13%) 3,138
Annual <i>preventative maintenance</i> needs for road/bridge network ²	\$3.4 billion
Annual <i>major rehabilitation</i> needs for “poor” and “deficient” infrastructure ²	\$988 million
Total annual road/bridge repair need²	\$4.4 billion
Past Caltrans annual investment in repair (2004-2008) ^{1,3}	\$1.6 billion

¹ Source: 2008 FHWA Highway Statistics Report

² As calculated by Smart Growth America based on data available from FHWA. “Poor” and “deficient” infrastructure rehabilitation costs were annualized over 20 years.

³ Caltrans’s infrastructure repair spending increased in 2009 and 2010 due to the American Recovery and Reinvestment Act (ARRA).

\$1 billion spent on fixing existing highways creates 16% more person-years of construction jobs than new road construction.

51% of voters believe fixing roads and bridges should be **the** top priority for the state (33% chose expanding transit and other choices, 16% chose expanding roads).

Most voters – **59%** – believe that the government has a duty to make sure that roads and bridges are safe and reliable.

2. Fund the biggest job creator: public transportation

Investments in public transportation create almost twice the jobs that highways do, help others get to their jobs, and attract private sector investment, creating still more jobs. California should invest strategically in public transportation statewide.

Specifically, it should **shift resources to restore transit service and hold the line on fares.** There is a substantial need for increased transit investment in California. The San Francisco Bay Area alone faces a \$25 billion shortfall to maintain and operate at the existing level of service over the next twenty-five years. To address budget shortfalls, transit agencies across the state have proposed both fare increases and service cuts that disproportionately impact lower-income households. From 2004 to 2008, the state of California contributed only 16% of annual transit budget needs statewide, leaving the responsibility largely to local and federal governments. It ranked 20th in the nation for supporting transit. By not contributing more toward transit, California is missing a critical opportunity to create jobs and boost regional and state economies.

Every \$1 billion of ARRA dollars invested in new public transportation projects produced **16,419 job-months**, compared to 8,781 job-months produced by highway infrastructure projects.

Using state resources to bridge transit budget shortfalls would enable low-income workers to get to their jobs and prevent the potential layoff of transit workers. It would also increase critical access in rural communities and support key economic centers of the state, where commuters, senior citizens, and those with limited transportation alternatives rely on transit for daily needs. In addition to channeling state funds to keep transit moving, the flexible funding provision in the national transportation act allows states to transfer federal Surface Transportation Program (STP) funds toward public transportation needs. California should develop a plan to build support for transit over the next four years in order to feed the state's economy.

Other states have realized substantial returns on their transit investment. The Hudson-Bergen Light Rail line in New Jersey has attracted \$5.3 billion in development over the eight years since it opened, Dallas has seen more than \$4.2 billion in development at light rail station areas, and Portland has seen over \$4 billion in development adjacent to its Streetcar system.

Public transportation is popular with voters

December 2010 National Poll by Hart Research Associates:

73% of those polled rated “the number of jobs created in the long term that would remain in [my] community” as the most important factor in developing the state transportation plan.

61% regardless of their party affiliation (and 57% of Independents) said they would feel more positively about a governor who favors a plan that “provides more choices such as buses, carools, light rail, van service, and commuter rail.”

64% said “buses, carools, light rail, van service, and commuter rail were a good or very good value for the cost.”

March 2010 National Poll by Public Opinion Strategies and Fairbank, Maslin, Maulin, Metz and Associates:

66% of respondents agreed they would like more transportation options available to them.

69% agreed their community would benefit from an expanded and improved public transportation system.

3. Spark innovation and cost-savings through a competitive transportation solutions program

There are many ways to solve transportation problems. While many leaders fall into the old standby of building large pieces of infrastructure, there are under-used alternatives to consider.

Leverage state funds to spur local innovations.

A state program similar to the federal TIGER (Transportation Investment Generating Economic Recovery) grant program would enable California communities to put their best ideas forward. From the funding available for new capacity, **the state could set aside a portion of its federal and state revenues for places that want to pursue innovative least cost solutions to transportation problems.** The widest range of projects should be eligible, and they should be judged against criteria such as job creation, private sector investment, and other criteria emphasizing returns on investment.

Additional strategies to utilize:

- **Pricing**—corridor pricing, parking cash-out, pay-as-you-drive insurance, and parking pricing
- **Demand management**—telecommuting, alternate work schedule, employee commute programs, and car- and bike-sharing
- **Coordinated land use Investment**—bringing grocery stores to underserved areas, and transit-oriented development
- **Biking and walking networks**—connections that provide simple, low cost solutions for many of the short trips people take every day
- **System management**—ramp metering, improved stoplight timing, better incident management, and improved local road network connections

Among transportation professionals it is widely acknowledged that these techniques are quite often cheaper and more effective than either a road or a transit solution. It is also true that most governments underutilize these low-cost strategies, leaving significant benefits on the table.

Smart Example: Oregon Flexible Funds Program

As an outcome of the 2009 Legislative Session, the Oregon Department of Transportation (ODOT) was asked to increase its investment in Non-Highway Transportation. In June 2010, the Oregon Transportation Commission (OTC) directed staff to develop a Flexible Funds Program and form an Advisory Committee to help develop criteria for the new program. The Purpose Statement, Vision and Criteria included in the Flexible Funds Program Application Instructions were developed with the assistance of the Advisory Committee and approved by the OTC in August 2010.

What is the focus of the new program?

The intent is to fund sustainable, non-highway transportation projects, programs, and services that positively impact modal connectivity, the environment, mobility and access, livability, energy use, and the overall operation of the transportation system.

Projects likely to be funded include transit; bicycle and pedestrian infrastructure; transportation demand management; and the planning, research, and project development that supports those projects as well as related programs and services. Projects should further support development of a multimodal transportation system that is interconnected, safe, seamless, and increasingly looks to non-highway solutions that are:

- Interconnected/multifaceted
- Environmentally Sensitive
- Sustainable
- Fostering livability as well as providing Oregonians with better access and more transportation choices

4. Revisit near-term spending decisions and long-term project selection to improve transportation outcomes, add jobs, and grow California's economy

California's economy and transportation revenue situation demands that investment decisions made prior to the recession get revisited.

The Caltrans 2011-2014 State Transportation Improvement Program (STIP) is based on projected average annual transportation revenues of \$9.2 billion through 2014, but the state of the economy and the uncertainty regarding federal transportation funding suggest that this forecast may be optimistic. Many projects in existing plans have spent years in the development "pipeline," and their original purpose has either been forgotten, no longer applies, or does not meet today's need for higher return on investment. Revisiting these spending decisions will show Californians that the state's leadership is responding immediately to current economic and fiscal realities.

Operationally, this means Caltrans should update its Long Range Transportation Plan and its five-year capital improvement program.

Re-evaluating near-term decisions to move those of highest value to the front can serve as the poster-child for a broader initiative to bring greater transparency, performance, and accountability to the project selection process.

Nationally, voters want more accountability from the government and want it to make better use of the money it has. They are skeptical of the state's ability to use their money well. Redesigning the project selection process so that projects are selected on the basis of clear and transparent criteria would help to address this credibility gap. It would also show that leaders are willing to break with past practices to get better returns on the money the government does have. Criteria could include the project's potential to:

- Create jobs
- Boost near- and long-term regional and state economic output
- Increase mobility, access, and transportation choices
- Be cost-effective (i.e. provide high returns on the initial capital and subsequent maintenance burdens required by the project)

With these smart transportation approaches, the leaders of California can demonstrate to voters the ability to be fiscally responsible while growing the economy.

In 2008, McKinsey and Company evaluated potential transportation investments in Metro Atlanta, finding:

\$220 million invested in demand management would create \$40 billion in incremental benefits.

Better coordination with development (deemed to be virtually cost-free) would create \$39 billion in incremental benefits.

\$26 billion in road investments would create \$40 billion in incremental benefits.

"It is of particular importance in these times of severe fiscal constraint that we invest scarce public resources more wisely and efficiently, in order to maximize the reach and impact of what we spend... Otherwise we will continue to get the same results: deteriorating infrastructure marked by unacceptable compromises to safety as well as worsening performance, especially growing congestion."

— Bipartisan Policy Center's National Transportation Policy Project and the National Surface Transportation Infrastructure Financing Commission



Smart Growth America advocates for people who want to live and work in great neighborhoods. We believe smart growth solutions support thriving businesses and jobs, provide more options for how people get around and make it more affordable to live near work and the grocery store. Our coalition works with communities to fight sprawl and save money. We are making America's neighborhoods great together.

Smart Growth America is the only national organization dedicated to researching, advocating for, and leading coalitions to bring smart growth practices to more communities nationwide. Visit us online at www.smartgrowthamerica.org.

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