



EXECUTIVE SUMMARY

The California Department of Transportation (Department) is responsible for maintaining and operating the 50,000 lane mile State Highway System (SHS), the backbone of California's transportation system. The Department monitors the condition and operational effectiveness of the SHS through periodic inspection, traffic studies and system analysis. The Department uses the information obtained through these activities to prepare the Ten-Year State Highway Operation and Protection Plan (Plan) as required by Streets and Highways Code Section 164.6. The Plan provides input for the funding distribution in the Fund Estimate (FE) adopted by the California Transportation Commission (CTC) in August of each odd-numbered year. The FE, with its fiscal constraints, establishes the framework for how much State Highway Operation and Protection Plan (SHOPP) work can be accomplished in the subsequent four years.

Streets and Highways Code Section 164.6 requires the Plan to include identified needs for the ten-year period state Fiscal Year (FY) 2008/09 through FY 2017/18 based on quantifiable accomplishments. The Plan is to include a cost estimate for at least the first five years. Due to immediate and intermediate funding constraints, the Department recognizes that the Plan must also contain a fiscally constrained recommendation for SHOPP funding for the FE period.

The total ten-year needs defined in the 2007 Ten-Year State Highway Operation and Protection Plan (2007 Plan) for the rehabilitation and operation of SHS is \$42 billion for the period from state FY 2008/09 through FY 2017/18. This amount represents the present value of construction and right-of-way acquisition costs. Adding project development costs at approximately 32 percent increases the total cost of the need to \$55 billion.

In contrast, the 2005 Ten-Year State Highway Operation and Protection Plan (2005 Plan) identified system needs of \$29.7 billion for the ten-year period state FY 2006/07 through FY 2015/16, which averages \$3 billion per year. The State Highway Account (SHA), which is the sole funding source for the SHOPP, funded the 2006 SHOPP at \$2 billion per year, two-thirds of the identified need. Under current revenue projections, funding for the SHOPP in the 2008 FE is not expected to change significantly from the level in the approved 2006 FE.

The increase in ten-year SHOPP needs in the 2007 Plan as compared to the 2005 Plan is the result of the following conditions:

- The transportation infrastructure is aging and in need of rehabilitation and reconstruction;
- The continued increase in vehicle travel and goods movement contribute to an increased rate of pavement and bridge deterioration, new accident concentration locations and increasing hours of traffic congestion;
- Continued under funding of preservation and rehabilitation delays needed projects and ultimately increases the cost when projects are undertaken;
- Significantly increased price of construction during the past two years leading to loss of buying power;
- Increased legal, statutory and regulatory mandates that must be addressed by the limited funding available.



The 2006 FE identified \$2.5 billion annually in funding for SHOPP Capital Outlay and Capital Outlay Support (COS). Full funding of the \$5.5 billion annual need defined in the 2007 Plan requires an increase in funding of approximately \$3 billion annually. This level of increased activity could stress the existing construction industry that may lead to increased escalation of construction costs. Full funding would also require significantly increased resources in the Department's COS budget.

The Department is initiating several measures to mitigate the effects of limited resources and other factors related to full funding of the SHOPP. At the request of legislative staff, the Department is developing a pavement initiative to maximize the outcomes of limited funding for pavement preservation and rehabilitation. The Department is aggressively identifying means to reduce the costs of legislative and regulatory mandates. The Department continuously looks to more efficient ways to delivery projects thereby reducing the cost of project development workload. Finally, the Department has opportunities to strategically invest additional resources derived from voter approval of Proposition 1B, Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, and from Grant Anticipation Revenue Vehicles or "GARVEE" bonds.