



**Overview of the
2014-15 Five-Year Infrastructure Plan**
February 2014

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What is Capital Outlay (Infrastructure)?

- Capital Outlay is defined as the cost of planning and construction of new buildings, additions to and modification of existing buildings, and the equipment which is related to such construction. This also includes construction of roads and other facilities, and the acquisition of real property.
- Capital outlay projects generally expand the capacity or change the function of state-owned real property.
- Some examples include: freeway construction, new courthouse construction, and renovation of state office buildings.



What is Maintenance?

- Maintenance includes activities that keep state-owned facilities in an acceptable and operable condition, including preventative maintenance, replacement of parts, systems, components, repairs, and other tasks necessary to preserve or maintain the facility.
- Maintenance projects are intended to extend the useful life of a facility.
- Examples of maintenance projects include repainting, re-roofing, electrical rewiring, plumbing repairs, dredging of river or stream beds to restore original flow capacity, replacing old equipment items, and road repairs.
- Deferred Maintenance refers to the backlog of routine maintenance that extends the useful life of state assets.



The Five-Year Infrastructure Plan

- The Five-Year Infrastructure Plan (Plan) is a statewide compilation of California's capital needs over a five year period.
- The Plan evaluates the state's infrastructure needs in the overall context of available funding sources, competing priorities, and sustainable growth.
- The Plan focuses limited infrastructure dollars on core state responsibilities.
- The Plan prioritizes projects that promote infill development, protect environmental and agricultural resources, and encourage efficient development patterns.



2014 Five-Year Infrastructure Plan

- The 2014 Plan proposes to invest \$56.7 billion in capital funding to address California's infrastructure needs over the next five years:

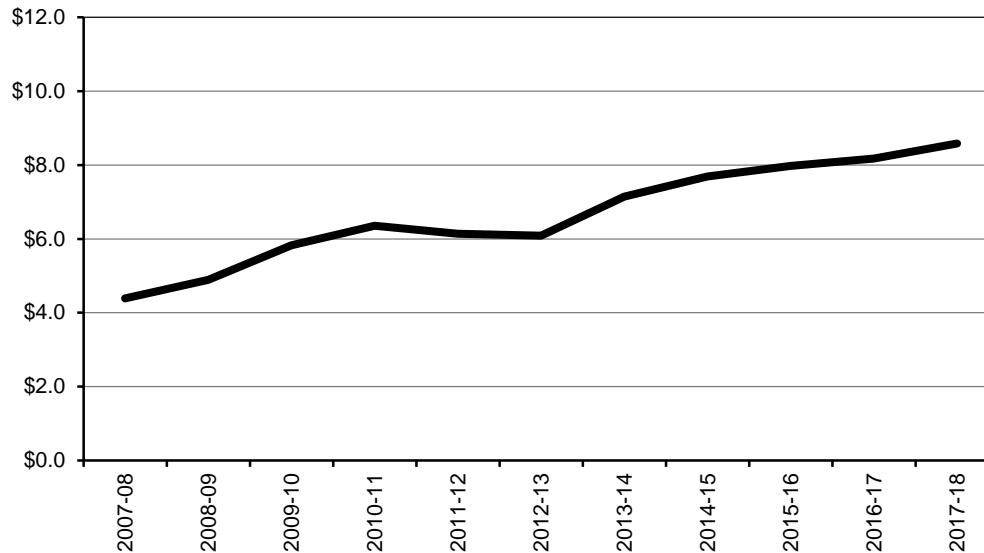
Transportation	\$53.4 billion
Judicial Branch	\$1.3 billion
Natural Resources	\$1.1 billion
Corrections and Rehabilitation	\$377 million
Education	\$231 million
General Government	\$175 million
Health and Human Services	\$151 million



Affordability—Debt Management

- The debt service on infrastructure bonds is expected to increase to \$8.6 billion in 2017-18—one of the fastest categories of spending in recent years.

Annual Debt Service Costs
(Dollars in Billions)



Affordability—Debt Management (cont.)

- Budget challenges have increased reliance on debt financing—since 2000 voters have authorized more than twice the amount of bonds authorized from 1974 to 1999.
- Of the ten most populous states, only New York has more debt as a percentage of personal income.
- Increased reliance on debt to pay for infrastructure has meant that roughly one out of every two dollars spent on infrastructure goes to interest—rather than concrete, steel, etc.



2014 Deferred Maintenance Proposal

- This Plan focuses on the costs to maintain state assets and starts to address the backlog of deferred maintenance.
- Budget challenges have greatly exacerbated deferred maintenance.
- The reported statewide deferred maintenance need totals \$64.6 billion—the largest deferred maintenance need is for roads (\$59 billion).



2014 Deferred Maintenance Proposal

- The Plan proposes allocating one-time resources of \$815 million to address critical deferred maintenance needs as follows:

Highway Users Tax Account Loan Repayment	\$337 million
K-12 Schools Emergency Repair Program	\$188 million
California Community Colleges	\$175 million
Department of Parks and Recreation	\$40 million
Department of Corrections and Rehabilitation	\$20 million
Judicial Branch	\$15 million
Department of Developmental Services	\$10 million
Department of State Hospitals	\$10 million
Department of General Services	\$7 million
State Special Schools	\$5 million
Department of Forestry and Fire Protection	\$3 million
California Military Department	\$3 million
Department of Food and Agriculture	\$2 million



Challenges Ahead

- Generally, the state's infrastructure is aged and in some cases not suited for today's population and/or use.
- The state continues to grow and demands on infrastructure are ever increasing.
- The current plan for deferred maintenance is the first step--backlog is large.
- The state has a relatively high debt burden—careful prioritization of funding is needed to maintain the state's fiscal balance.



New Approaches to Prioritizing Infrastructure Expenditures

- 2013 Budget Act contains single support appropriation for UC to cover operations and capital outlay needs.
- Single support appropriation for CSU is proposed in the budget.
- Budget also calls for continued dialogue on the role of the state in funding local K-14 education facilities.
- Additional opportunities for pay-as-you-go infrastructure financing with new Rainy Day Fund proposal.

