

Smith, Watts & Company, LLC.

Consulting and Governmental Relations

August 18, 2015

MEMORANDUM

To: John Cunningham

From: Mark Watts

Subject: Legislative Report

Special Session On Transportation and Infrastructure

The Legislature reconvened on Monday, August 17, to attend to regular Session legislation as well as the two Special Sessions (Transportation and Medi-cal), and immediately started to focus on transportation funding issues. The Senate conducted a policy hearing of the Special Session Transportation & Infrastructure Committee to address several key bills while the Assembly focused on conducting a series of 3 Roundtable Workshops to enlighten their membership and targeted communities on transportation funding issues.

In addition, over the Summer Legislative Recess, a broad-based coalition of transportation stakeholders was formed to push for a resolution to the transportation funding issue at the heart of the Special Session.

Fix Our Roads Coalition

Funded by CSAC, the League of Cities and the Alliance for Jobs, this group was founded around seven key principles:

1. Make a significant investment in transportation infrastructure
2. Focus on maintaining and rehabilitating the current system.
3. Invest a portion of diesel tax and/or cap & trade revenue to high-priority goods movement projects.
4. Raise revenues across a broad range of options.

5. Equal split between state and local projects.
6. Strong accountability requirements to protect the taxpayers' investment.
7. Provide Consistent Annual Funding Levels.

After delivering the coalition principles in letter form to the Governor and legislators, a press briefing was conducted in early August to provide a deeper background understanding of the transportation funding situation and the coalition's suggested approach to the media. Additional activities planned by the Coalition include:

- In district meetings. Over the recess, in district meetings with key legislators have been conducted with local government, business and labor and asking that the coalition principles guide legislative negotiations.
- Online & Digital Advertising. Also to correspond with the principles launch, we are initiating a website and posting banner advertising on the most frequented political web sites.
- Op-eds. Beginning in August, the coalition is targeting to placement of localized op-eds highlighting specific regional needs.
- Local government/third party support. The League and CSAC are working with their members to pass resolutions in support of coalition principles. We are also reaching out to local organizations, such as local chambers, to join the Fix Our Roads coalition.

In addition, Fix Our Roads was deeply involved in assisting the Speaker's Office in implementing the Roundtable Workshops. The first was conducted at CCTA Offices on August 19 and featured a local government panel that included CCTA Commissioner, Pierce, Supervisor Anderson and CC Public Works Director Bueren, among others.

Legislative Activity – Special Session

Senate

The Senate Special Session Committee on Transportation & Infrastructure conducted its first policy bill hearing on August 19 to take up Special Session bills, starting with the centerpiece measure, Senator Beall's SBX1 1, which is largely based on his regular session bill, SB 16.

The revised version of SBX1 1 bill increases the amount of funding raised to the \$4 billion level and not only proposes new higher gas and diesel taxes, but frames a new charge on vehicles to be collected in the manner of the Registration Fee. Additionally,

the bill provides a new process to replace the annual Board of Equalization Tax Swap adjustment; in its place, the bill resets the Tax Swap increment, currently at 12 cents per gallon (CPG) since July 1st, to 17 CPG, and adds a triennial CPI adjustment. The bill passed.

The remainder of the bills heard on August 19th comprises key elements of Senate Republican Caucus reform measures:

- SB X1 3 (Vidak) *HSR Bonds*. Amends HSR bond funding initiative (and requires a general vote) to redirect HSR Bond funds to repair or construct highways and local streets and roads. *The bill failed passage.*
- SB X1 9 (Moorlach) *Department of Transportation*. Prohibits Caltrans from using temporary funding (e.g., bonds) to support permanent positions; mandates increased contracting for engineering services. *☒The bill failed passage.*
- SB X1 12 (Runner) *Transportation Commission*. Makes the CTC independent and authorizes CTC to approve the Department's individual repair and maintenance projects. *☒The bill passed.*
- SB X1 13 (Vidak) *Inspector General*. Creates an Inspector to assure that Caltrans and HSRA operate efficiently, effectively, and in compliance with federal and state laws. *The bill passed.*
- SCA X1 1 (Huff). Guarantees that transportation taxes are used for transportation purposes. *Testimony only; vote at later hearing.*

Additionally, there are several other bills including additional Republican reform proposals and two transit bills that were not set for hearing. A complete listing of all Special Session bills is included below.

Assembly

Although not reflected in the latest Assembly Daily file, it is anticipated the Assembly will follow suit and set a hearing schedule for their Special Session Committee on Transportation & Infrastructure soon.

Legislative Activity – Regular Session

AB 194 (Frazier): This bill would provide the statewide authority for Caltrans and Regional agencies to use tolling, HOT Lanes and managed lanes. The Self-help counties negotiated with the Administration on amendments during the Summer Recess. These

were intended to be placed in the bill while it was in the Senate Appropriations committee. In the meantime, it appears the Administration may signal concern over elements of the bill with the Department of Finance authorized to take an Oppose position.

ABX1 10 (Levine): Assemblymember Levine introduced this bill to require Caltrans, by September 30, 2015, to temporarily restore the third eastbound lane on State Highway Route 580 from the beginning of the Richmond-San Rafael Bridge in the County of Marin to Marine Street in the County of Contra Costa to automobile traffic and temporarily converts the existing one-way bicycle lane into a bidirectional bicycle and pedestrian lane.

Special Session #1 Bill Listing

Assembly Bills:

AB X1-1 (Alejo). Weight fees. Returns weight fees to the State Highway Fund; repays outstanding transportation loans over three years □

AB X1-2 (Perea) Public Private Partnerships. Extends P3 authority indefinitely;

AB X1-3 and ABX1-4 (Frazier, Atkins) Spot language. Spot bills to establish permanent, sustainable sources of funding for highways, local roads, bridges, etc. □

AB X1-6 (Hernandez) AHSC program. Creates a 20% rural set aside in AHSC Program. □

AB X1-7 (Nazarian). Public transit funding. Doubles cap and trade appropriation for □ Transit and Intercity Rail Program (to 20%) and Local Carbon Transit Program (to 10%). □

AB X1-8 (Chiu & Bloom) Diesel sales tax. Increases sales and use tax on diesel from 1.75% to 5.25%. These revenues are appropriated by formula to public transit agencies. □

ABX1 9 (Levine). Requires Caltrans to implement 3rd Eastbound lane on Richmond Bridge immediately.

ABX1 10 (Levine). Would limit extra compensation to a contractor by a state agency on so-called, megainfrastructure projects.

Senate Bills: □

SB X1-1 (Beall) Transportation Funding. This is essentially SB 16 re-introduced in the Extraordinary Session as SB 1X-1. Significant new amendments went into print on July 14

SB X1-2 (Huff) GHG reduction fund. Dedicates cap and trade taxes paid from gasoline production to improving infrastructure, including streets and roads. □

SB X1-3 (Vidak) HSR Bonds. Amends HSR bond funding initiative (and requires a general vote) to redirect HSR Bond funds to repair or construct highways and local streets and roads. □

SB X1-6 (Runner) GHG reduction fund; transportation. Prohibits use of cap and trade proceeds on HSR and redirects funds to highways, local street and roads, and public transit. □

SB X1-7 (Allen) Diesel sales tax. Increases sales and use tax on diesel from 1.75% to 5.25%. These revenues are appropriated by formula to public transit agencies. □

SB X1-8 (Hill) Public transit funding. Doubles cap and trade appropriation for Transit and Intercity Rail Program (to 20%) and Local Carbon Transit Program (to 10%). □

SB X1 9 (Moorlach) Department of Transportation. Prohibits Caltrans from using temporary funding (e.g., bonds) to support permanent positions; encourages contracting. □

SB X1 10 (Bates) Regional Capital Improvements. Converts STIP to block grants based on county shares; eliminates CTC retains some oversight, but programming role discontinued □

SB X1 11 (Berryhill) CEQA exemption, road improvements. Exempts road repair and maintenance on existing rights of way from CEQA, including for areas over 100,000. □

SB X1-12 (Runner) Transportation Commission. Makes the CTC independent and authorizes CTC to approve the Department's individual repair and maintenance projects. □

SB X1-13 (Vidak) Inspector General. Creates an Inspector to assure that Caltrans and HSRA operate efficiently, effectively, and in compliance with federal and state laws. □

SB X1 14 (Canella) Public Private Partnerships. Eliminates the sunset provision that allowed RTPAs and Caltrans to enter into PPPs. □

SCA X1-1 (Huff). Guarantees that transportation taxes are used for transportation purposes.