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Consulting and Governmental Relations

MEMORANDUM

TO: John Cunningham

FROM: Mark Watts

DATE: March 1, 2011

SUBJECT: **TWIC Report:
Transportation Loan Repayment, Tax Swap Rate Reduction, Key Bills
Status**

Transportation Loans

On February 29th, the Legislature approved a package of bills principally focused on the continuation of more than a billion dollars in federal Medicare assistance achieved by restructuring a tax on health care provider organizations. In addition to the so called, Managed Care Organization (MCO) tax, another bill provided increased funding sought by Republicans for restoration of developmentally disabled programs, and a third bill included repayment of *\$173 million in outstanding General Fund loans* to transportation programs.

The transportation loan repayment bill, AB 133, would direct the state Finance Director to transfer funds from the State's Rainy Day Reserve to be allocated to the Transportation Congestion Relief (TCRP) Fund program (\$148 million); Trade Corridor Improvements (\$11 million); Transit and intercity Rail Capital (\$9 million); and, Caltrans' SHOPP (\$5 million).

The \$173 million was identified as the 1st year of loan repayments proposed by the Governor in his budget act that totaled \$879 million, to be repaid over four years. This bill accelerates the \$173 million in loan repayment, to be effective immediately.

Possible Local Benefit.

At present, it is uncertain how the TCRP repayments will be handled, administratively. With allocations for a number of TCRP projects restricted since 2008 due to lack of funding, the priority for the repayment process will likely focus on TCRP projects that had previously met CTC programming and allocation requirements. A review of the TCRP projects in a list maintained by the Caltrans' Division of Transportation Programming indicates the possibility that TCRP Project 12.2 (Hercules Station, Phase 3: Right of Way) may be eligible for reimbursement of \$700 thousand.

Price Based Gas Tax Adjustment (Tax Swap).

The California State Board of Equalization (BOE) elected to set the excise tax rate at 27.8 cents per gallon on gasoline for Fiscal Year (FY) 2016-17. The Board voted 3-2 to lower the

excise tax rate on gasoline by 2.2 cents per gallon for FY 2016-17. The new rate will be 27.8 cents per gallon, effective July 1, 2016 through June 30, 2017. The Board has been tasked with setting the excise tax rate on gasoline since 2010, when two pieces of legislation (AB x8 6 and SB 70, collectively known as the fuel tax swap) took effect.

Anticipating this rate reduction in fuel taxes, the California Transportation Commission took action at its January commission meeting to reflect the reduced revenues in the 2016 STIP Fund Estimate. This resulted in a reduction of an estimated \$750 million from the 2016 five-year STIP. Regional agencies have been requested to adjust their RTIP proposals to meet the reduced revenues over this period.

In addition, since the process-based fuel tax also provides critical state funding for local roads programs, the proposed reduction by the Board of Equalization has a complementary reduction in these resources to cities and counties. CSAC and the League, and allies, had been actively pushing for a change in the tax setting process for the price-based fuel tax rate, backed up by press conferences across the state.

Presented below are brief summaries of bills of interest to the authority, including AB 1592 (Bonilla) and AB 1665 (Bonilla). In addition, provided also are update discussions of major pending transportation funding bills, AB 1591 (Frazier), SBX1 1 (Beall) and the Governor's' Transportation Budget Plan.

Key Bills

AB 1665 (Bonilla)

This bill would authorize taxing authority for a countywide transportation program to be available to the Contra Costa Transportation Authority and extend the period of authorization from 2020 to 2024.

AB 1592 (Bonilla)

This measure authorizes the Contra Costa Transportation Authority to conduct a pilot project for the testing of autonomous vehicles. The measure has been referred to both the Local Government and Revenue and Taxation Committees and is waiting to be scheduled for its initial hearing most likely in March.

Following its introduction, the bill has most recently been referred to the Assembly Transportation committee; it is anticipated that it will be scheduled for hearing in March. The bill is attracting interest from parties ranging from auto manufacturers to other cities within the state that may seek to be included.

Transportation Funding

AB 1591 (Frazier)

Frazier's major transportation funding proposal will generate more than \$7 billion annually to be used for trade corridor improvements and road maintenance and rehabilitation. It is anticipated that after the formal transition in the Assembly of the position of Speaker on

March 7, that transportation finance discussions will recommence and that the author will seek to ready his bill for consideration.

Governor Brown's Transportation Budget Proposal.

Governor Brown's proposal is estimated to generate approximately \$3.6 billion, annually, and includes a number of protections and reforms suggested by the Republican Caucuses last year. As a Budget Trailer Bill, it is expected that the Budget Subcommittees will consider this proposal later in the Spring.

SBX1 1 (Beall)

Senator Beal was collaborated with, and sought additional policy input from his colleagues in recent months and consequently is preparing a series of amendments to his bill that would increase the annual amount generated to nearly \$6 billion. It is expected that he will amend this measure in the coming days and prepare for consideration in the Special Session Finance Committee in the Senate.