

# Smith, Watts & Hartmann, LLC.

Consulting and Governmental Relations

## MEMORANDUM

TO: John Cunningham  
FROM: Mark Watts  
DATE: May 3, 2016  
SUBJECT: **May TWIC Report**

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### Key Bills - Update

Presented below are brief summaries of bills of interest to the authority, including AB 1592 (Bonilla), AB 1665 (Bonilla) and AB 1764 (Stone). A brief summary overview of the 3 main bills introduced to address the state's transportation funding crisis, is included, as well.

**AB 1592 (Bonilla):** This measure authorizes the Contra Costa Transportation Authority to conduct a pilot project for the testing of autonomous vehicles.

The bill was approved by the Assembly on April 6 (75-0) and was referred to the Senate Transportation & Housing committee.

**AB 1665 (Bonilla):** This bill authorizes the taxing authority for a countywide transportation program to be transferred from the County of Contra Costa to the Contra Costa Transportation Authority and extends the period of authorization from 2020 to 2024.

Subsequent to its approval in the Assembly Local Government Committee on April 6 the bill was considered in Assembly Revenue and Taxation Committee on April 25. Commissioners Pierce and Worth were on hand in support of this measure. Additionally, the author and sponsor have developed amendments in response to concerns raised by the Howard Jarvis Taxpayer's Association (HJTA); acknowledging this, HJTA indicated in testimony in the Revenue and Taxation committee that they would remove their opposition when the amendments are adopted. The committee then approved the bill, 6-0.

The amendments would restore the 2020 sunset date, eliminate reference to Alameda County, provide only CCTA with the taxing authority, include language to ensure that the Alameda tax approved by voters is still operative and add an urgency clause to ensure the CCTA authority is available upon approval of the bill.

**AB 1746 (Stone):** This bill extends the present limited authority for a pilot program to operate transit buses on highway shoulders to additional transit operators. The bill would provide this authorization to several transit agencies operating in Contra Costa County:

- AC Transit
- Livermore Amador Valley Transit Authority (LAVTA)
- Central Contra Costa Transit Authority (CCCTA).

In support of this bill, CCCTA notes that CCTA completed an I-680 Transit Investment and Congestion Relief Study and that one of the recommendations of the study is a bus on shoulder transit service along the corridor to link the Martinez Amtrak station with BART, Bishop Ranch and ACE Train service in Pleasanton.

On April 14, the bill was approved by the Assembly (76-0) and is pending assignment to policy committee in the Senate.

### **Transportation Funding**

#### *AB 1591 (Frazier)*

Mr. 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. The bill has been referred to both the Assembly Transportation and Revenue and Taxation Committees, but not yet scheduled.

#### *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 has been included in the May 4<sup>th</sup> Assembly Budget Subcommittee Agenda, where the recommendation is to hold it over in deference to policy committee consideration.

#### *SBX1 1 (Beall)*

After an extended effort to seek additional policy input from his colleagues, Senator Beall amended SBX1 1 on April 21. The bill would provide \$5.5 billion of ongoing new funding resources for transportation, as well as a one-time infusion of nearly \$1 billion from General fund loan repayments

The recent amendments add several reforms and address the issue of recapturing truck weight fees through innovative fund swaps to generate an ongoing \$500 million from this source for road and highways repairs. Additionally, the bill adds important reforms, including CTC independence, a new Office of Inspector General, extending the current P3 law, streamlining of CEQA and establishes and funds an Advance Infrastructure Mitigation Program.

The author's Fact Sheet, with more details, is included below.

# Transportation Infrastructure and Economic Investment Act (SB X 1-1)

## FACT SHEET

### ***A \$6.5 billion funding package to improve our roads and transportation infrastructure***

#### **Where will the money come from?**

##### **Revenues Adjustments and Enhancements: \$4.6 billion annually**

The transportation-funding package proposes a series of new revenue enhancements and adjustments to fix our roads and improve mobility throughout the state. Specifically, this proposal eliminates the Board of Equalization's annual adjustment of the gas excise tax, restores the gas excise tax rate by 6 cents to its pre-2015 level, plus enhances the gas excise tax an additional 6 cents and indexes it to raise approximately \$1.7 billion annually. The proposal also increases the diesel excise tax by 22 cents and sales tax to 5.25% to generate an estimated \$900 million annually. Additional revenue enhancements include an annual road access fee of \$35 per vehicle, an annual \$100 fee for zero-emission vehicles, and a vehicle registration adjustment of \$35 per vehicle.

##### **Restoration of existing weight fees: \$500 million**

Vehicle weight fees generate approximately \$1 billion annually and are currently used to pay down transportation debt service. The package will annually redirect half of weight fees currently being allocated for transportation debt service (\$500 million) to once again be used for transportation purposes. The package will recapture the estimated \$500 million from transportation revenue generated from State Transit Assistance, High-Speed Rail, and other miscellaneous revenues currently used for specific debt service in addition to a redirection of Highway User Tax Account funds currently being used for General Fund purposes.

The redirection of the above-mentioned special funds will be backfilled with \$300 million in non-dedicated Cap-and-Trade (C&T) revenues and \$200 million in General Fund revenue.

##### **Increase Cap and Trade allocation for transit: \$300 million**

Existing law requires a portion of C&T revenues to fund several transit related programs. This package increases the existing percentage of funding for the C&T's Transit and Intercity Rail Capital Program from the current 10% allocation to 20% and the Low Carbon Transit Operations Program from the current 5% to 10% in order to increase transit services that reduce greenhouse gas emissions throughout the state.

##### **CalTrans Reforms and Efficiency improvements: \$100 Million**

The package requires Caltrans to provide the California Transportation Commission with a plan to increase the department's efficiency by 30%, similar to the Governor's Transportation funding proposal, and further requires Caltrans to justify to the Legislature, via reporting to the appropriate Policy and Budget Committees, the number of employees needed to complete transportation projects and any replacement of positions accrued through attrition. Requires Caltrans to develop and implement outcome-based performance and efficiency guidelines for projects funded by new revenues. Revenue generated from efficiency modifications will be targeted to fund road maintenance, repair work, and one-time cleanup efforts of state highways.

##### **Accelerate General Fund Loan Repayment obligations: \$1 Billion in one-time revenue**

This package provides that outstanding loans (approximately \$1 billion) made to the General Fund from the State Highway Account, the Motor Vehicle Fuel Account, the Highway Users Tax Account, and the Motor Vehicle Account will be repaid

with a one-time payment within a designated time. The package would further dedicate these revenues to provide one-time funding for highway cleanup efforts.

**Total funding:** \$5.5 billion annually + \$1 billion one-time revenue

### **How will the money be spent?**

#### **Funding for Self-Help Counties**

To encourage local governments share in the financial responsibility of maintaining and improving California's transportation infrastructure, this proposal sets aside 5% of annual revenues to counties that adopt local sales tax measures commonly referred to as "self-help" counties. If no new "self-help" counties are approved then the funding shall revert back and allocated 50/50 by the locals and state.

#### **50/50 funding split between state and local agencies**

The package establishes a balanced approach to ensure transportation maintenance and rehabilitation needs are sufficiently met throughout the state. Thus, new transportation revenue will be split equally between locals and state for road and bridge repair and maintenance.

#### **Trade Corridors**

As regional ports serve as one of the primary economic engines for the state, the transportation funding package allocates 12 cents of the diesel excise Tax or \$300 million annually to support the movement of goods in California's critically important trade corridors. Ports such as Los Angeles, Long Beach, and Oakland along with border crossings with Mexico will receive financial resources to boost mobility efficiency along these trade corridors.

#### **High-Speed Rail Connectors: Commuter/Intercity Rail**

In order to continue providing travelers with improved mobility options to get to work, school, and other key destinations, \$550 million will be allocated to support commuter rail improvements. As a result, commuter rail systems such as the Altamont Corridor Express (ACE) commuter rail service through Stockton and onto Modesto, Merced, and Fresno as well as the Pacific Surfliner intercity rail service through San Diego, Orange, and Ventura Counties will receive additional financial resources to provide additional options such as service increases within their corridors.

#### **Workforce, job training, & Opportunity Act (Pre-Apprenticeship Programs)**

The transportation package addresses the state's projected labor shortage by providing high-quality training and skills development to individuals entering the workforce. The proposal specifies all projects funded with new transportation revenue will be required to engage in a pre-apprenticeship program for individuals, including low-income/disadvantaged individuals. State and local California Conservation Corps shall be an eligible partner under this act.

### **How will transportation funding be protected?**

#### **Constitutional Protections:**

Prohibits the Legislature from borrowing or redirecting new revenues levied on vehicles or their use and further prohibits the Legislature from using those revenues for purposes other than specifically permitted by Article 19. The Constitutional proposal additionally prohibits new revenues from being pledged or used for the payment of principal and interest on bonds or other indebtedness. Revenues derived from off-road vehicles and boats must be used for relevant purposes. Additionally, aviation fuel taxes will also be required to be used specifically for aviation purposes. Further clarifies revenues allocated to trade corridors can be used for both rail and road projects. Lastly, the proposal allows a portion of existing weight fees to continue to be used for transportation debt service.

**Reforms:**

CTC Independence

The package establishes CTC as an independent agency as a means to design a more efficient project delivery system and use of state resources. Further transfers responsibility for the approval of the State Highway Operations and Protection Program (SHOPP) from Caltrans to CTC. Specifically, acting as an independent state entity, CTC will be provided with the ability to prioritize project needs and align limited transportation resources to effectively meet project needs.

Office of Transportation Inspector General

Creates the Office of the Transportation Inspector General (TIG) and notes that the TIG shall not be a subdivision of any other governmental entity. Specifies the TIG is to serve as an independent office to ensure that all state agencies expending state transportation funds are operating efficiently, effectively, and in compliance with federal and state laws. Provides the Legislature with the ability to direct the TIG to carry out compliance investigations (including on CTC) and issue reports and findings accordingly.

**Additional transportation improvements:**

**Public-Private Partnerships**

Authorizes the Caltrans Director, at their discretion, to enter into Public-Private Partnership agreements permanently. Requires approval of workload ratio request by the Caltrans Director to be determined through the annual budget process and further requires Caltrans Director to establish parameters to justify the proposed workload ratio.

**CEQA Streamlining and Advanced Mitigation**

Exempt from CEQA requirements a project that consists of the inspection, maintenance, repair, restoration, reconditioning, relocation, replacement, or removal of existing transportation infrastructure within the existing right of way.

Establishes an Advance Infrastructure Mitigation Program designed to provide comprehensive environmental mitigation associated transportation projects in exchange for streamlined project approvals from federal and state resources agencies.

**Active Transportation**

Improve existing Active Transportation Program through increased funding and updating the Highway Design Manual to include complete streets design. Pursuant to this act, Caltrans shall establish a new division specific to Active Transportation and allocates an additional \$100 million in new revenue to active transportation programs.

**Summary of new revenues:**

Gasoline excise tax increase: \$0.12/gallon	\$1.7 billion	Indexed
Diesel excise tax increase: \$0.22/gallon	\$600 million	Indexed
Road access fee: \$35 per vehicle annually	\$1 billion	Indexed
VRF adjustment: \$35 per vehicle annually	\$1 billion	Indexed
Zero-emission vehicles Fee: \$100 per vehicle	\$10 million	
Increase diesel fuel sales tax from 1.75% to 5.25%	\$300 million	
Caltrans reforms & efficiencies	\$100 million	
Restoration of weight fees	\$500 million	
Cap and Trade distribution increases	\$300 million	

<b>Total ongoing:</b>	<b>\$5.5 billion</b>	
Loan Repayment Acceleration:	<b>\$1 billion</b>	One-time
<b>Total Revenue:</b>	<b>\$6.5 billion</b>	