

Smith, Watts & Hartmann, LLC.

Consulting and Governmental Relations

MEMORANDUM

TO: John Cunningham

FROM: Mark Watts

DATE: February 3, 2016

SUBJECT: **February 2017 TWIC State Legislative Report**

Legislature

2016-17 Legislative Session

Picking up the pace following the December 5th formal convening of the 2017-18 Legislative Session, the Assembly and Senate began their regular meeting schedule for the year again on January 5, 2017.

Committee Assignments Made

The Senate Rules Committee announced Committee Chairs and made assignments to key committees, Senate Transportation & Housing and Senate Budget Subcommittee #2, as follows:

Senate Transportation & Housing Committee

Senator Jim Beall (Chair)
Senator Anthony Cannella (Vice Chair)
Senator Benjamin Allen
Senator Toni G. Atkins
Senator Patricia C. Bates
Senator Ted Gaines
Senator Mike McGuire
Senator Tony Mendoza
Senator Mike Morrell
Senator Richard D. Roth
Senator Nancy Skinner
Senator Bob Wieckowski
Senator Scott D. Wiener

Senate Budget Subcommittee #2

Senator Bob Wieckowski (Chair)
Senator Mike McGuire
Senator Tony Mendoza
Senator Jim Nielsen

In addition, appointments were more recently made to the Assembly Transportation Committee and Assembly Budget Subcommittee No. 3 on Resources and Transportation, as follows:

Assembly Transportation Committee

Assembly Member Jim Frazier (Chair)
Assembly Member Vince Fong (Vice-Chair)
Assembly Member Cecilia Aguilar-Curry
Assembly Member Catharine Baker
Assembly Member Marc Berman
Assembly Member Raul Bocanegra
Assembly Member Kansen Chu
Assembly Member Tom Daly
Assembly Member Laura Friedman
Assembly Member Matthew Harper
Assembly Member Devon Mathis
Assembly Member Jose Medina
Assembly Member Adrian Nazarian
Assembly Member Patrick O'Donnell

Assembly Budget Subcommittee No. 3 on Resources and Transportation

Assembly Member Richard Bloom (Chair)
Assembly Member Vince Fong
Assembly Member Cristina Garcia
Assembly Member Kevin Mullin
Assembly Member Jim Patterson

Legislative Transportation Funding Bills Introduced

On the opening day of the 2017-18 Legislative Session the two key proponents for resolving the state's transportation funding challenges introduced new measures for consideration. This followed on the heels of the 2015-16 Special Session ending without a resolution or action. The two measures are AB 1 (Frazier) and SB 1 (Beall).

The County has adopted a ***Support position on AB 1***, and SB 1 is under similar consideration. Both bills rely on very similar funding plans and distribution for the revenues to state and local purposes.

At present, SB 1 (Beall) has been scheduled for a hearing in the Senate Transportation & Housing Committee on February 14, while AB 1 (Frazier) has not yet received a hearing date. A summary of key allocation categories follows:

Local Streets and Roads

\$2.22 billion annually

- \$1.45 billion annually from new/returned revenue from the RMRA
- \$770 million annually from restores/returned revenue from the HUTA
- Potential LSR benefits from \$200 million SLPP and \$80 million ATP

- One time revenue of \$352 million from transportation loan repayment

State Highways Operations and Protection Program (state major maintenance)

\$1.47 billion annually

- \$1.45 billion annually from new/returned revenue from the RMRA
- \$21 million annually from restores/returned revenue from the HUTA
- Potential State Highways benefits from \$200 million SLPP and \$80 million ATP
- One time revenue of \$352 million from transportation loan repayment

State Transportation Improvement Program

\$770 million annually

- Potential State Highways benefits from \$200 million SLPP and \$80 million ATP

Governor's Budget Released

2017-18 State Budget Overview

On January 10th, the Governor unveiled his 2017 state spending plan that keeps General Fund spending flat at \$122.5 billion, while warning of a potential \$1.6 billion deficit. The revenue forecast, compared to what had been estimated when the Governor signed the budget in June, is down by \$5.8 billion dollars. In addition, the Governor has proposed increasing increase the state's Rainy Day Fund to \$7.9 billion, which is 73% of its constitutional target.

Transportation

The Governor's budget also includes a renewed commitment to addressing the state's transportation infrastructure crisis. The Budget included a revised transportation-funding package, which would invest \$43 billion in transportation over the next decade (an increase of approximately \$600 million annually from his 2016-17 proposal). The Governor's Budget states... "the repair, maintenance, and efficient operation of the state's transportation system are vital to California's economic growth" and once again emphasizes a few key principles:

1. Focusing new revenue primarily on "fix it first" investments to repair neighborhood roads and state highways and bridges;
2. Making key investments in trade corridors to support continued economic growth and implementing a sustainable freight strategy;
3. Continuing measures to improve performance, accountability and efficiency at Caltrans;
4. Investing in passenger rail and public transit modernization and improvement;
5. **Avoiding an impact on the General Fund.**

Governor's Transportation Plan

The plan would provide approximately \$4.2 billion, annually, for a number of programs. Of this amount, approximately \$1.8 billion would be available for local streets and roads, \$1.8 billion for state highways, \$250 million for goods movement, and **\$400 million** for transit.

Summary of Revenue Sources:

- Road Improvement Charge—\$2.1 billion from a new \$65 fee on all vehicles, including hybrids and electrics.
- Stabilize Gasoline Excise Tax—\$1.1 billion by setting the gasoline excise tax at the 2013-14 rate of 21.5 cents and eliminating the current annual adjustments. The broader gasoline tax would then be adjusted annually for inflation to maintain purchasing power.
- Diesel Excise Tax—\$425 million from an 11-cent increase in the diesel excise tax. This tax would also be adjusted annually for inflation to maintain purchasing power.
- Cap and Trade—\$500 million in additional Cap and Trade proceeds.
- Caltrans Efficiencies — \$100 million in cost-saving reforms.

Additionally, the Budget includes a General Fund commitment to transportation by accelerating \$706 million in loan repayments over the next three years