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Consulting and Governmental Relations

MEMORANDUM

TO: Transportation, Water, and Infrastructure Committee

FROM: Mark Watts

DATE: July 5, 2017

SUBJECT: TWIC Report

State Budget Approved by Legislature and Governor - Transportation

With the Legislature having met the June 15 deadline to approve the annual budget act, on June 27, the Governor approved the budget bill and several key trailer bills making policy changes that make the budget work for the Governor.

For transportation programs the budget act contains new spending of the SB 1 revenues that will materialize from the bill's new taxes that will become effective later in the fiscal year. The amount of \$1,497,370,000, from a variety of new funds, is provided for local and capital funding for projects in multiple transportation programs set forth in SB 1. This includes \$592.8 million for capital projects and \$904.6 million for local assistance (largely local streets and roads maintenance).

Affected programs include:

- ✓ Local Partnership Program,
- ✓ Trade Corridor Enhancement Program,
- ✓ Transit and Intercity Rail Capital Program,
- ✓ Active Transportation Program,
- ✓ Congested Corridor Program, and
- ✓ State Highway Operations Protection Program (SHOPP).

The new budget also includes \$477.8 million in support costs for Caltrans, from a variety of funds, with a net zero change in staff, to pave highways, fill potholes, rehabilitate bridges, and disseminate local assistance funds from new revenue created by SB 1 as well as approval of provisional budget language to provide funding flexibility.

To enhance accountability for SB 1 programs, the budget also includes \$9.5 million in State Highway Account funds for 58 positions, including ten new positions and the redirection of 48 existing positions, for the new Office of Inspector General created by SB 1.

Finally, the transportation programs in the budget are subject to the policy clarifications and language contained in two Budget Trailer bills in line with SB 1.

The two trailer bills are as follows:

AB 115: Cleanup for SB 1, combined with Project Acceleration language.

Among the provisions of this bill are the following:

(1) CM/GC (Construction Management/General Contractor) authority for CalTrans projects will be doubled from 12 projects to 24 projects, and two of the projects can be delegated to the Riverside County Transportation Commission (RCTC);

(2) Current CM/GC authority, which can be used by regional transportation agencies for expressway and new bridge projects not on the state highway system, will be expanded to include bridge repair and rehabilitation projects and railroad grade separations in Riverside County;

(3) Design-build will be permitted for up to 6 local projects approved by CalTrans for bridge replacements or railroad grade separations, with three of the projects in Riverside County.

(4) Clarification that ensures the SB 1 Local Partnership funding will be available to regional transportation agencies, as well as cities and counties.

SB 103: Freight Trade Corridor and Advance Mitigation Authority.

This measure contains detailed programmatic direction for both the freight and advance mitigation elements funded by SB 1. This bill is pending final action by the Senate.

SB 1 Guidelines

CalSTA is accelerating production of updated guidelines for TIRCP that will also follow current law that authorizes the state to program 5 years of projects. Additionally, CalSTA will also speed the development of the Commuter and Passenger Rail guidelines in order to move those funds to recipient agencies.

As for the CTC, they have begun their guideline development for Trade Corridors, Local Partnership, Active Transportation and the Congested Corridors programs, beginning at their regular meeting in May. Their target is to prepare guidelines and conduct complete assessment processes in timely manner to allow award of project funding within the 2017-18 budget year.

Regional Measure 3 - SB 595 (Beall)

Legislation to establish Regional Measure 3 (RM 3) was approved by the Senate on May 31; it has been assigned to the Assembly Transportation committee for hearing on July 10.

The bill requires the nine Bay Area counties to conduct a special election to increase the toll rate charged on state-owned bridges within the region to be used to meet the funding obligations associated with an unspecified number of projects and transportation programs.

Working with MTC, local transportation agencies have adopted RM 3 priority project lists.

The bill was amended on July 3 to specify that the regional toll can be raised up to \$3 and to provide election law specifications to how the regional vote would be conducted.

Autonomous Vehicles

The Livermore-Amador Valley Transit Authority (LAVTA) has worked with Assemblymember Baker to introduce AB 1444, which authorizes LAVTA to undertake a pilot within the City of Dublin for shared Autonomous Vehicles (SAV). The intent is to better connect parking facilities with BART.

The bill is pending approval on the Senate Floor.

Cap and Trade

With the approval of the transportation-funding package, the focus of attention now turns to the possible extension of the Cap and trade program. The governor still intends to seek authorization the extension of the cap and trade program through the legislature. In the meantime, the legislature has introduced their own versions for consideration.

Cap and Trade Auction Mechanism Reauthorization

AB 378 (Garcia) – Reauthorization vehicle for auction mechanism.

Status: Failed to pass the Assembly

AB 151 (Burke) – Reauthorization vehicle for auction mechanism

Status: Not taken up in the Assembly

SB 775 (Wieckowski) – Introduced with great fanfare last week, this measure may well be interpreted as a carbon tax.

Status: Never heard

There are substantial negotiations underway between the leadership and the Governor's Administration and the ultimate vehicle is uncertain at present. There is an emerging "deal" concept that would restrict the use "free credits" and to let the present continuous appropriations authority expire in 2020 that dedicates 60% of auction revenues to sustainable communities, transit and High speed Rail.

The concept would lead to three (3) types of expenditures after 2020: (1) Rebates to offset the impact of cap and trade on the public, (2) Infrastructure, and (3) research.