

Smith, Watts & Hartmann, LLC.

Consulting and Governmental Relations

MEMORANDUM

TO: John Cunningham
FROM: Mark Watts
DATE: March 5, 2018
SUBJECT: March 2018 TWIC Report

Board of Equalization Excise Tax

Since the enactment and reauthorization of the "Tax Swap" in 2010 and 2011, the Board of Equalization (BOE) has had the ongoing responsibility to establish the gas tax rate at a level to equal what the revenues would produce in comparison with what were estimated to be the revenues that would have been derived from the state sales tax on fuel.

In the intervening period, we have seen the BOE excise tax rate fluctuate annually, with the trend in state fuel sales prices; in fact, in 2015 the tax rate "loss" precipitated a massive reduction in the programs funded by the price-based excise tax in both the STIP and local roads programs.

Last week, on a 2-2 vote (1 absent), the BOE was unable to adopt the expected 4 cents per gallon rate increase, leaving the overall gas tax at 29 cents per gallon. This will result in 2018-19 in the loss of \$271 million in *Local Streets and Roads* funding, as well as \$271 million in state highway projects funding (*STIP*) and \$75 million in state road maintenance.

Interestingly, the BOE responsibility to set the price-based excise tax rate is eliminated in 2019 by provisions of SB 1 (Beall). The Governor's Office has indicated that the Administration will account for the revenue loss by this action through the state budget in May.

Proposition 69 and Status of SB 1 Repeal Initiative

Proposition 69 - The Secretary of State has released the proposition numbers for legislative measures set to appear on the June 5, 2018 Statewide Direct Primary election. Proposition 69 is now the election reference for ACA 5 (Frazier), which is the companion measure to SB1 that seeks voter approval to protect the new revenue generated by SB 1 for use on transportation purposes only.

At present, Proposition 69 is supported by the League of Cities, CSAC and the Coalition to Protect Local Transportation. The Coalition members come from business, labor, local government, transportation advocates and taxpayers.

SB 1 Repeal Initiative - The proponents of the initiative measure to amend the state Constitution and repeal SB 1 appear to have recently halted the use of the services of a signature gathering firm, relying on volunteer signature gathering for the time being, instead. The proponents continue to stand by their estimate that they have collected about 400,000 of the approximately 587,000 signatures necessary to qualify the measure for the November ballot.

The Coalition to Protect Local Transportation Improvements, organized to campaign for Assembly Constitutional Amendment (ACA) 5, will continue to mobilize against the repeal initiative measure should it receive the requisite number of acceptable signatures

Recent SB 1 Allocations

State Rail Assistance - The Transportation Agency released awards to 7 recipient rail agencies for \$1.9 million from the SB 1, State Rail Assistance (SRA) program. Matched with other local fund sources, the total project value of the 16 projects is over \$136 million. Projects beneficial to Contra Costa County and the East Bay include \$13 million for Passenger Information system, preliminary design for rail and station improvements, signal replacement and upgrades on the Capitol Corridor.

The *San Joaquin* service did not seek their allocation at this time, out of preference for coordinating their funds with the *Transit and Intercity Rail grant program* process presently underway.

Local Partnership Program – At its January 31 meeting, the California Transportation Commission (CTC) adopted the first formulaic program of projects to eligible transportation agencies through the state. A total of \$173 million was made available to 57 projects put forward by 32 agencies, including those within the County.

Transportation Leadership Changes

California Transportation Commission – At its January 31, 2018 meeting, the California Transportation Commission (Commission) approved the appointments of Fran Inman as its next Chair and James Earp as Vice Chair, effective March 1, 2018.

In addition, in February, the Governor re-appointed Commissioners Inman and Alvarado and announced that the Transportation Secretary, Brian Kelly would depart CalSTA to take over as CEO of the High-Speed Rail Authority; Deputy Secretary Brian Annis, assumed the permanent position as Transportation Secretary. to CTC

Finally, Caltrans Director Malcolm Daugherty departed for the private sector effective March 5 and in his place the Governor has appointed Laurie Berman as Director. Director Berman has spent the last several months as Caltrans' Chief Deputy; previously, she served as the Caltrans District Director for the San Diego Region. Joining her in the front office is Ryan Chamberlain as Chief Deputy director; he had been the Caltrans District Director for the Orange County Region.

Legislative Calendar *Senate Transportation & Housing Committee, Hearings of Interest:*

February 20, 2018 - SUBJECT: Autonomous Vehicles: Opportunities and Challenges
10 a.m., State Capitol, John L. Burton Hearing Room (4203)

March 2, 2018 - SUBJECT: Impacts of Senate Bill 1 (Chapter 5, Statutes of 2017)
10 a.m. to 1 p.m. - City of Anaheim, City Hall Chambers