



Aug. 25, 2016
Issue #73

\$7.4 Billion Transportation Funding Proposal Introduced, \$2.5 Billion for Local Streets and Roads

Sen. Jim Beall (D-San Jose) and Assembly Member Jim Frazier (D-Oakley) have formally introduced the two bills that would generate \$7.4 billion annually with \$2.5 billion for local streets and roads. Introduced in the 1st Extraordinary Session on Transportation Infrastructure and Economic Development, [SBx1 1](#) (Beall), is already in the Senate Appropriations Committee of the special session, while [ABx1 26 \(Frazier\)](#) has been introduced with the language as a new bill in the special session.

The identical proposals present an opportunity in this last week of the legislative session for all sides to negotiate on one comprehensive package to send to Gov. Jerry Brown. The League of California Cities® is [officially supporting](#) each proposal, but also understands that there is plenty of work still needed to get the necessary two-thirds vote in each house. The League will continue to help advance the discussion and will provide cities with the tools to advocate when the Legislature is closer to reaching a deal.

Introduction of these measures into the special session enables the Legislature to continue negotiations past the regular session's deadlines, potentially through the end of November in what is known as a "lame" duck session. With the election past, legislators may look to make tough decisions that were politically challenging earlier.

Each of these proposals take a carefully balanced approach of including a series of reforms with revenues dedicated for transportation purposes across various needs. The categories below highlight the key components of the joint effort:

Reforms

- **Establishes local reporting requirements.** Cities and counties would be required to send the California Transportation Commission (CTC) a list of projects they propose to fund with Road Maintenance and Rehabilitation Account (RMRA) funds, specifying the location, description, proposed schedule, and estimated useful life for each project each fiscal year.
- **Requires cities and counties to maintain existing general fund levels for transportation funding.** The bills require cities and counties to maintain their general fund transportation levels at equal to or greater than their annual average expenditures during FYs 2009-10, 2010-11, 2011-12, which is known as a maintenance of effort requirement. The bill authorizes the State Controller's Office to audit local governments for compliance and subject local governments to reimbursing the state for non-compliance.
- **Makes permanent the National Environmental Protection Act (NEPA) delegation authority.** Permanently extends the authority for Caltrans to participate in the federal NEPA delegation pilot program, which allows projects involving federal funds to be delivered faster.
- **Promotes employment and training opportunities through pre-apprenticeship.** Requires state and local agencies to create programs that promote employment in

advanced construction through pre-apprenticeship as a condition of receiving RMRA funds.

- **Incorporates “complete streets” design concept into the Highway Design Manual.** Requires Caltrans to incorporate the “complete streets” design concept into the Highway Design Manual.
- **Restores independence to the CTC.** The bills move the CTC out from under the California State Transportation Agency, establishing it as its own entity within state government to help it fulfill its oversight role.
- **Creates the Office of Transportation Inspector General as an independent entity and office within state government.** Its role will be to ensure that all other state agencies that receive state transportation funds are operating efficiently, effectively, and in compliance with federal and state laws. The Inspector General would be appointed by the Governor to a six-year term and would have the authority to conduct audits and investigations involving state transportation funds with all affected state agencies.
- **Permanently extends and expands the limited CEQA exemption for transportation repair, maintenance, and minor alteration projects to existing roadways.** The bills delete the Jan. 1, 2020 sunset of the existing law and expand the exemption to cities and counties with populations greater than 100,000, and apply the exemption to state roadways.
- **Creates an Advanced Mitigation program for transportation projects.** The bills authorize the Natural Resources Agency to prepare, approve, and implement advance mitigation plans for one or more planned transportation projects. An advanced mitigation plan is defined as a regional or statewide plan that estimates the potential future mitigation requirements for one or more transportation projects and identifies mitigation projects, sites, or credits that would fulfill some or all of those requirements. The agency would be authorized to administer the program, establish mitigation banks, secure areas for the purpose of providing mitigation, and allow transportation agencies to use mitigation credits to fulfill mitigation requirements. The program’s intention is to supplant existing CEQA requirements, not substitute for them.

Additional Revenues

- **\$2.5 billion from a 17 cent increase to the gasoline excise tax, adjusted every three years for inflation.** The revenue generated from this particular increase would help restore the lost purchasing power of the gas tax due to inflation. The funds attributable to the 17 cent increase would be transferred to the newly created RMRA for distribution.
- **\$1.1 billion from ending the Board of Equalization “true up” and resetting the rate to the historical average of 17.3 cents per gallon, adjusted every three years for inflation.** This provision would “reset” the priced based excise tax on gasoline to its original rate of 17.3 cents. Funds would be distributed using current formulas.
- **\$1.3 billion from a \$38 increase to the Vehicle Registration Fee, adjusted every three years for inflation.** After the California Department of Motor Vehicles deducts their administrative costs from imposing and collecting the fee, the funds from the \$38 increase would be deposited into the RMRA for distribution.
- **\$1 billion from restoring truck weight fees to transportation projects.** Restoration of truck weight fee revenue would be phased-in over a five-year period and would no longer be allowed to be transferred out of the state highway account (SHA) after FY 2020-21. The funds would remain in the SHA, which would prevent Highway Users Tax Account funds from the variable gas tax from having to offset the SHA weight fee transfer.
- **\$900 million from a 30 cent per gallon increase to the diesel excise tax, adjusted every three years for inflation.** The funds attributable to the 30 cent increase to the

diesel excise tax would be transferred to the Trade Corridors Improvement Fund (TCIF). Federal FAST Act funds for freight would also be deposited into the TCIF.

- **\$300 million from unallocated Cap-and-Trade funds.** This continuous appropriation of Cap-and-Trade funds would essentially double the amount going towards the Transit and Intercity Rail Capital Program (TIRCP) and the Low Carbon Transit Operations Program (LCTOP).
- **\$16 million from a \$165 Vehicle Registration Fee on zero emission vehicles, starting in the second year of ownership, adjusted every three years for inflation.** Per the authors, this provision will help make up for the fact that owners of zero emission vehicles do not pay any gas tax to maintain the roads they drive on. Revenues would be deposited into the RMRA for distribution.

The revenues generated from these proposals, would provide the following allocations:

RMRA

- State Highway System — \$2.9 billion annually for maintenance and rehabilitation of the state highway system.
- Local Streets and Roads — \$2.5 billion annually for maintenance and rehabilitation of local streets and roads.
- Self-help counties — \$200 million for existing and aspiring self-help counties to incentivize the adoption of local measure.
- Active Transportation Program — \$80 million annually for Active Transportation and up to an additional \$70 million through Caltrans efficiencies.
- Advanced Mitigation — \$100 million one-time funds for implementation of the Advanced Mitigation program.

Cap-and-Trade Revenues and Diesel Tax Increase

- Transit and Intercity Rail — \$516 million annually for transit and intercity rail capital projects and operations.

TCIF

- Freight, trade corridors, and goods movement — \$900 million annually for freight, trade corridors, and goods movement.

Loan Repayments

- \$760 million one-time funds for transportation loan repayment.

While not introduced in ABx1 26 and SBx1 1, the authors continue to pursue two constitutional amendments that would protect the revenues raised in the bills and decrease the voter threshold for local transportation measures. The language for these measures will be introduced in the future.

The League has prepared [preliminary estimates](#) of the revenues each city could receive for transportation maintenance and repair under the proposal. The time for the Legislature and Governor to act is now and these proposals provide a solid framework to move the discussion forward.