

IMPLEMENTING SB 1: LOCAL STREETS AND ROADS FUNDING

Friday, August 11, 2017 1pm-2pm



Speakers

- Kiana Valentine
California State Association of Counties
- Derek Dolfie
League of California Cities

How to Ask a Question

- All phone lines have been muted
- For written questions – use the Q&A window to the right side of your screen. Please enter your name, title and city

Agenda

- I. Overview of SB 1 key local streets and roads provisions
 - I. Taxes and timing of revenues
 - II. Local streets and roads funding
- II. Eligible uses
 - I. Letter of the law
 - II. Priorities and rules of thumb
- III. Establishing annual eligibility
 - I. Project list adoption and submittal
 - II. Required elements of a project list
 - III. Maintenance of Effort (MOE)
- IV. Local tool kit
- V. SB 1 - FY 2018 and beyond
- VI. Questions and answers

WHAT WAS INCLUDED IN THE
FINAL FUNDING DEAL?

Which taxes were included?

- 12-cent gas excise tax increase
- Reset price-based excise tax at 17.3 cents
- 20-cent diesel excise tax increase
- 4% diesel sales tax increase
- \$25-\$175 annual “transportation improvement fee” based on vehicle value
- \$100 annual zero emissions vehicle fee
- CPI adjustments on excise taxes/fees

When are revenues phased-in?

- New fuel taxes begin in November 2017
- The value-based transportation improvement fee begins in Spring 2018
- The price-based excise tax will be reset July 1, 2019
- New Zero Emissions Vehicles will begin to pay an additional registration fee for road maintenance in 2020
- First apportionments to locals in Jan/Feb 2018
- Similar to HUTA, RMRA is continuously appropriated, and apportioned to locals on a monthly basis - not reimbursement-based

Which revenues flow to locals?

- Road Maintenance and Rehabilitation Account
- New gas tax, transportation improvement fee, and part of diesel excise tax
- 50% state, 50% local
- Local share split evenly between cities and counties
- City revenues are allocated per capita
- County revenues allocated 75% by registered vehicles, 25% by road mileage
- Revenue estimates for FY 2017-18 and other resources
 - Cities: <https://www.cacities.org/Policy-Advocacy/Hot-Issues/Transportation-Funding>
 - Counties: <http://www.counties.org/post/sb-1-road-repair-and-accountability-act-2017>

WHICH LOCAL PROJECTS ARE ELIGIBLE FOR RMRA FUNDING?

What local projects are eligible?

- Road Maintenance and Rehabilitation Funding “shall be prioritized for expenditure on basic road maintenance and road rehabilitation projects, and on critical safety projects.”
- *Streets and Highways Code Section 2030(a)*
- The Controller, not the CTC, will determine if expenditures were eligible during audits
- There is no use-it-or-lose-it requirement in SB 1, so multi-year projects are eligible

Eligible projects (cont.)

- Letter of the law: eligible projects include, *but are not limited to:*
 - road maintenance and rehabilitation;
 - safety projects;
 - railroad grade separations;
 - complete street components, including active transportation, bike/ped, transit facilities, drainage, and stormwater capture projects;
 - traffic control devices; and
 - match for state/federal funds for eligible projects.
- *Streets and Highways Code Section 2030(b)*
- *California Constitution, Article XIX*

Eligible projects (cont.)

- Basic maintenance and safety projects should be prioritized
 - To the extent possible, include complete street components and advanced technologies (*Streets and Highways Code Section 2030(c-f)*)
- Rules of thumb:
 - Highway User Tax Account (HUTA) Guidelines from Controller
 - Does an eligible use “fit” into project list?
 - *California Constitution, Article XIX*

WHAT ARE THE REQUIREMENTS TO RECEIVE LOCAL RMRA FUNDING?

Project list

- Prior to receiving funds, locals must annually submit a list of projects proposed to be funded with RMRA funds to the California Transportation Commission (CTC)
- *Streets and Highways Code Section 2034(a)(1)*
- **October 16** is due date for report on planned expenditures in 2017-18
- The CTC will review project lists to ensure they include statutorily required information to establish eligibility for funding – they do not “approve” projects/lists for funding
- CTC staff may work with city/county to ensure project lists include mandatory information

Consequences for non-compliance

- Failure to submit a project list to the CTC and establish annual eligibility will result in forfeiture of monthly apportionments
- Currently no process to recoup lost apportionments, which would be distributed to eligible agencies
- CTC will work with jurisdictions to establish eligibility after initial project list due date

What should the list include?

- SB 1 requires the project list to include four components:
 - Project description
 - The location of each proposed project
 - Schedule for completion, and
 - Estimated useful life of improvement
- *Streets and Highways Code Section 2034(a)(1)*

How do you adopt a project list?

- List must be pursuant to an adopted budget (or budget amendment) approved at a public meeting
- All projects *proposed* to receive funding shall be included in a city or county budget
- *Streets and Highways Code Section 2034(a)(1)*

Changes to project list?

- The list shall not limit flexible use of funds, provided that funds are only used for eligible projects – a city/county can fund projects in a given year not on the project list or not fund projects that were on the project list
- *Streets and Highways Code Section 2034(a)(1)*
- A city/county does not need to amend a project list and resubmit to the CTC mid-year should priorities/projects change

Reporting on expenditures

- Upon expending RMRA funds, must submit documentation to the CTC
 - Description and location of each completed project,
 - Amount of funds expended on the project
 - Completion date and the estimated useful life of the improvement
- *Streets and Highways Code Section 2034(a)(2)*
- Best Practice: report on all actual or planned expenditures of SB 1 funds, not just completed project information
 - CTC reporting format accommodates this under field to enter status update on multi-year projects

Maintenance of effort requirement

- In order to receive RMRA funding, a city or county must annually expend from its general fund for street, road, and highway purposes an amount not less than the annual average of its expenditures from its general fund during fiscal years 2009–10, 2010–11, and 2011–12
- *Streets and Highways Code Section 2036(b)*
- If a city or county fails to meet the MOE in a fiscal year, they can make it up in the following fiscal year
- *Streets and Highways Code Section 2036(f)*
- Controller can audit to determine that MOE was met
- Non-compliant agencies may have to reimburse the state

What is included in the MOE?

- Unrestricted, discretionary funds, including vehicle in-lieu tax revenues and revenues from fines and forfeitures, expended for street, road, and highway purposes
- One-time allocations expended for street and highway purposes, but which may not be available on an ongoing basis, including revenue provided under the Teeter Plan Bond Law of 1994, are *excluded*
- *Streets and Highways Code Section 2036(b)*

What is my agency's MOE?

- SCO has yet to request information from local governments to establish each jurisdiction's MOE
- SCO has indicated that they will work with jurisdictions who have concerns with their MOE calculation
- League's unofficial MOE estimates:
http://californiacityfinance.com/RMRA_MOEestim1708.pdf
- CSAC's unofficial MOE estimates:
<http://www.counties.org/post/sb-1-road-repair-and-accountability-act-2017>
- SCO Streets and Roads Annual Reports:
http://www.sco.ca.gov/ard_locrep_streets.html

LOCAL TOOL KIT

Tool kit

- Encourage outreach to media, community groups in support of SB 1
- Tool kit can be used for project list adoption and ongoing SB 1 implementation
- Tool kit includes:
 - Talking points
 - Sample resolution
 - Sample press release
 - Sample social media posts
 - Sample op-ed



SB 1 - FY 2018 AND BEYOND

Outstanding issues

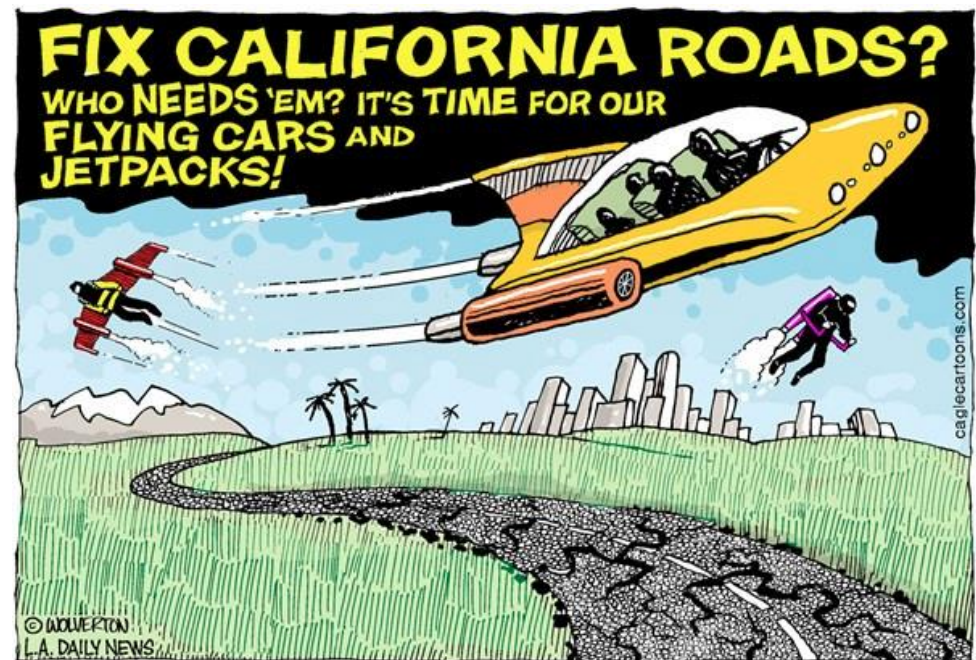
- CSAC and the League are continuing to work on the following issues:
 - Grace period to establish eligibility
 - Internal borrowing to expedite SB 1 projects
 - Ability for agency to report on all project expenditures – not just completed projects
 - Public adoption of project list outside of budget process
 - MOE calculation

QUESTIONS & ANSWERS

WRAP-UP

Further questions

- Counties:
 - clee@counties.org
 - kvalentine@counties.org
- Cities:
 - ddolfie@cacities.org
 - rberdugo@cacities.org



Thank You!