

Memorandum

Tab 13

To: CHAIR AND COMMISSIONERS

CTC Meeting: January 18-19, 2017

Reference No.: 4.1
Action

From: SUSAN BRANSEN
Executive Director

Subject: **STATE AND FEDERAL LEGISLATIVE MATTERS**

ISSUE:

Should the California Transportation Commission (Commission):

- 1) Accept the staff report on the proposed legislation identified and monitored by staff as presented in Attachment A?
- 2) Submit a letter to Senator Mendoza urging him to consider incorporating into Senate Bill (SB) 4 safeguards to protect all transportation revenues and ensure these revenues are invested in transportation?

RECOMMENDATION:

Staff recommends that the Commission:

- 1) Accept this staff report and provide direction on legislation of interest in Attachment A.
- 2) Approve the letter included as Attachment B in response to SB 4 for issuance to Senator Mendoza related to safeguarding all transportation revenues and ensuring these revenues are invested in transportation.

BACKGROUND:

The Legislature reconvened on January 4th, 2017 to begin its work in the new two-year session. Members have been introducing bills related to transportation and staff is compiling a list of bills to monitor based on the Commission's legislative tracking policy. Attachment A is a list of bills being monitored at this time. The bill introduction deadline is February 17th, and staff expects many more bills to be added to this list by that date.

NEW TRANSPORTATION FUNDING PROPOSALS

On December 5th, 2016, the first day of the new legislative session, Senator Beall and Assembly Member Frazier introduced SB 1 and AB 1, respectively. These bills mirror closely the unified

legislative proposal for transportation funding and reform from the First Extraordinary Session in 2016 which ended in November. Some differences from the previous proposal include:

- Increasing the gasoline excise tax by 12 cents per gallon instead of a 20 cent increase.
- Increasing the diesel excise tax by 20 cents per gallon instead of a 30 cent increase.
- Requiring half of the weight fee revenues to be available for transportation purposes instead of returning all of the weight fee revenues.

At the December Commission meeting, staff was directed to review the new legislative funding proposals to determine if they were generally consistent with previous funding proposals of which the Commission has been supportive. If so, the Commission directed staff to send letters of support to the Authors. Based on its review, staff confirmed that these new funding proposals are generally consistent with previous proposals, and therefore staff drafted and submitted letters of support on December 14th for both AB 1 and SB 1. These letters are included as Attachment C.

Governor Brown's proposed budget, released on January 10th, also includes a transportation funding and reform package that closely resembles the package he had included in last year's budget proposal. Attachment D contains a summary of the Governor's new proposal. This proposal would provide roughly \$43 billion in new revenues for transportation over the next ten years, slightly more than last year's proposal of \$36 billion over ten years. The difference is primarily derived from an adjustment of the price-based excise tax to 21.5 cents per gallon instead of the 18 cents per gallon contained in the prior year's proposal.

Of note, according to the California State Transportation Agency Secretary, adoption of the Governor's package should create enough new funding to restore the \$754 million eliminated in the 2016 State Transportation Improvement Program (STIP) as well as creating \$800 million in new programming capacity in the 2018 STIP.

Other differences of this year's proposal from last year's include:

- \$25 million annual set aside to assist regions and local governments in adopting best practices for SB 375 planning and related efforts.
- \$275 million annually for a new Corridor Mobility Program to support the best practices for multi-modal commute corridors.
- Replacing \$100 million annually for the Low Carbon Road Program in last year's package with an equal amount of funding for the Active Transportation Program.
- Additional reforms are proposed, including a proposal to use job order contracting for select maintenance contracts, and implementing the Commission's recommendation to allocate Caltrans support expenditures.

SENATE BILL 4 (MENDOZA)

On December 5th, Senator Mendoza introduced SB 4, which enacts the Goods Movement and Clean Trucks Bond Act authorizing \$600 million in general obligation bonds, upon voter approval, for the purpose of goods movement-related projects and programs. The bill also directs federal

freight funding to the Trade Corridors Improvement Fund (TCIF) program and makes changes to funding distribution requirements and project and program prioritization.

While the Commission has been supportive of additional funding for the state's critical goods movement infrastructure, the Commission staff have concerns about recent direction to use existing transportation resources to pay debt service on state general obligation bonds for transportation projects. Dedicating existing transportation revenues to the repayment of transportation bond debt service leaves fewer resources to address other immediate needs.

Considering the potential for using existing transportation revenues for non-transportation purposes, staff has composed a draft letter (Attachment B) for the Commission to consider submitting to Senator Mendoza urging him to incorporate safeguards to protect all transportation revenues and ensuring these revenues are invested in transportation.

Attachments:

Attachment A – List of bills the Commission is monitoring this session

Attachment B – Draft letter to Senator Mendoza

Attachment C – Copies of Commission support letters for AB 1 and SB 1

Attachment D – Description of Governor's transportation funding package

Bill #	Author	Title	Summary	Status	Position	Priority
AB 1	Frazier (D)	Transportation Funding	Creates the Road Maintenance and Rehabilitation Program to address deferred maintenance on the state highway and local street and road systems. Provides for certain funds, creation of the Office of the Transportation Inspector General, certain loan repayments, diesel fuel excise tax revenues, the appropriations to the Low Carbon Transit Operations Program, gasoline excise taxes, a certain CEQA exemption, an Advance Mitigation Program, and a certain surface transportation project delivery program.	12/05/2016 - INTRODUCED.	Support	
AB 13	Eggman (D)	580 Marine Highway	Requires the Department of Transportation to implement and oversee the 580 Marine Highway corridor project to reduce traffic by facilitating a permanent shift in container traffic away from truck transport to marine transport between the Port of Oakland and the Port of Stockton. Requires that the project be funded by an appropriation in the Budget Act of 2017.	12/05/2016 - INTRODUCED.		
AB 28	Frazier (D)	Department of Transportation: Review: Federal Program	Reinstates the operation of existing law which provided that the state consents to the jurisdiction of the federal courts with regard to the compliance, discharge, or enforcement of responsibilities it assumed as a participant in a certain surface transportation project delivery pilot program.	12/05/2016 - INTRODUCED.	Support	
AB 33	Quirk (D)	Greenhouse Gases From Transportation: Reduction	States the intent of the Legislature to enact legislation to reduce net emissions from greenhouse gases from transportation by imposing fees and granting rebates on sales of new automobiles and light trucks.	12/05/2016 - INTRODUCED.		
AB 65	Patterson (R)	Transportation Bond Debt Service	Amends an existing law which provides for transfer of certain vehicle weight fee revenues to the Transportation Debt Service Fund to reimburse the General Fund for payment of current year debt service on certain general obligation bonds. Excludes from payment the debt service for Proposition 1A bonds.	12/13/2016 - INTRODUCED.		
AB 69	Allen T (R)	State Highways: Roadside Rests	Makes nonsubstantive changes to provisions requiring the Department of Transportation to design only those safe roadside rests that are reasonably economical and that will provide a motorist a place where he or she may stop for a short time during daytime and nighttime hours.	12/16/2016 - INTRODUCED.		
AB 87	Ting (D)	Autonomous Vehicles	Requires the Department of Motor Vehicles to revoke the vehicle registration of any autonomous vehicle operating in violation of their Autonomous Vehicle Tester Program and authorizes law enforcement to impound such	01/05/2017 - INTRODUCED.		

Bill #	Author	Title	Summary	Status	Position	Priority
			vehicles. Gives DMV the discretion to fine companies illegally operating autonomous vehicles up to a specified amount per day of violation and prohibits those companies from applying to receive a permit from DMV to legally test self-driving technology on California road for two years.			
AB 91	Cervantes (D)	High-Occupancy Vehicle Lanes	Prohibits a high-occupancy vehicle lane from being established in the County of Riverside, unless that lane is established as a high-occupancy vehicle lane only during the hours of heavy commuter traffic, as determined by the Department of Transportation.	01/09/2017 - INTRODUCED.		
SB 1	Beall (D)	Transportation Funding	Creates the Road Maintenance and Rehabilitation Program to address deferred maintenance on the state highway and local street and road systems. Provides for certain funds, creation of the Office of the Transportation Inspector General, certain loan repayments, diesel fuel excise tax revenues, the appropriations to the Low Carbon Transit Operations Program, gasoline excise taxes, a certain CEQA exemption, an Advance Mitigation Program, and a certain surface transportation project delivery program.	12/05/2016 - INTRODUCED.	Support	
SB 4	Mendoza (D)	Goods Movement and Clean Trucks Bond Act	Authorizes state general obligation bonds for projects and programs eligible for funding from the Trade Corridors Improvement Fund, for projects and programs consistent with the Goods Movement Emission Reduction Program and programs to expand the use of zero- and near-zero emission trucks in areas designated as severe or extreme nonattainment areas for ozone and particulate matter. Provides for rail landside access improvements and landside freight access improvements to airports.	01/12/2017 - To SENATE Committees on TRANSPORTATION AND HOUSING and ENVIRONMENTAL QUALITY and GOVERNANCE AND FINANCE.		
SB 30	Lara (D)	California-Mexico Border	Requires any federally funded infrastructure project along California's southern border that exceeds a cost of \$1 billion to first be approved by a majority of the voters voting on the issue at a statewide general election. Makes related findings and declarations.	01/12/2017 - To SENATE Committee on RULES.		
SB 53	Hueso (D)	Natural Gas Vehicles	Authorizes a vehicle operated by an engine fueled primarily by natural gas to exceed certain weight limits by an amount equal to the difference between the weight of the vehicle attributable to the natural gas tank and fueling system carried by that vehicle and the weight of a comparable diesel tank and fueling system.	01/12/2017 - To SENATE Committee on TRANSPORTATION AND HOUSING.		

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STATE OF CALIFORNIA

EDMUND G. BROWN Jr., Governor

SENATOR JIM BEALL, Ex Officio
ASSEMBLY MEMBER JIM FRAZIER, Ex Officio

SUSAN BRANSEN, Executive Director



CALIFORNIA TRANSPORTATION COMMISSION

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January 19, 2016

The Honorable Tony Mendoza
State Capitol, Room 5100
Sacramento, CA 95814

Re: Senate Bill 4

Dear Senator Mendoza:

As part of its statutory charge, the California Transportation Commission (Commission) advises the Administration and the Legislature in formulating and evaluating state policies and plans for California's transportation programs.

At its January 2017 meeting, the Commission considered Senate Bill 4, introduced on December 5, 2016. This bill would enact the Goods Movement and Clean Trucks Bond Act, authorizing \$600 million in general obligation bonds, upon voter approval, for the purpose of goods movement-related projects and programs. The bill also directs federal freight funding to the Trade Corridors Improvement Fund (TCIF) program and makes changes to funding distribution requirements and project and program prioritization.

The Commission is pleased that this bill seeks to fund critical infrastructure and other improvements to California's goods movement program. While additional funding for the state's goods movement infrastructure is critical, the Commission has concerns that dedicating existing transportation revenues to the repayment of transportation bond debt service leaves fewer resources to address other immediate needs.

The Honorable Tony Mendoza

Re: Senate Bill 4

January 19, 2017

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Considering the potential for using existing transportation revenues for non-transportation purposes, the Commission urges you to consider incorporating provision in SB 4 to ensure transportation revenues are protected and invested in transportation. Commission staff is ready to work with your office to formulate language that could protect the state's scarce transportation resources.

As always, do not hesitate to contact Executive Director Susan Bransen at (916) 654-4245 if you have any questions.

Sincerely,

BOB ALVARADO

Chair

c: Commissioners, California Transportation Commission
Susan Bransen, Executive Director, California Transportation Commission

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FRAN INMAN, Vice Chair
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December 19, 2016

The Honorable Jim Frazier
Member of the Assembly
State Capitol, Room 3152
Sacramento, CA 95814

Re: Support for Assembly Bill 1

Dear Assembly Member Frazier:

As part of its statutory charge, the California Transportation Commission (Commission) advises the Administration and the Legislature in formulating and evaluating state policies and plans for California's transportation programs. The future of California's economy and our quality of life depend on a transportation system that provides safe, reliable, and efficient travel for people and goods. Over the past decade, the Commission has consistently urged the Administration and the Legislature to address the need for reliable and sustainable funding to preserve and expand the state's transportation system as well as reforms to ensure the efficient and effective delivery of transportation projects.

The enactment of Senate Bill 1077 (DeSaulnier, 2014) acknowledged the need to investigate a long term transportation funding solution, such as a road usage charge, to replace the gas tax. However, the study and successful statewide implementation of a road charge system will take years to establish. Delaying the need for additional resources until a long term solution is in place is untenable.

The 2015 State Highway Operation and Protection Program (SHOPP) Ten-Year Plan projects a state highway funding deficiency of \$57 billion over the next decade, while local streets and roads' needs are in excess of \$80 billion. An updated SHOPP Ten-Year Plan, with revised figures, will be presented to the Commission at the January 2017 meeting where the severity of

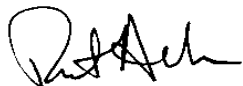
needs is expected to increase. In absence of a new funding source, the condition of the transportation system will continue to deteriorate.

A sustainable, comprehensive funding and reform solution is critical in order to maintain the state's crumbling transportation infrastructure. Also important is improved efficiency, accountability, and effectiveness in transportation programs, including streamlining the environmental processes. Assembly Bill 1 delivers that solution, allowing for a long term solution to be thoughtfully and thoroughly studied and vetted by the public, the Administration, and the Legislature.

At its December meeting, the Commission adopted a support position for Assembly Bill 1. Support of this transformative bill is consistent with the Commission's position on addressing the state's immediate transportation reform and funding challenges.

The Commission commends your leadership on this very critical and timely issue. The Commissioners and staff are available to provide any information that may assist you in moving this legislation forward. If we can be of assistance, please contact the Commission's Executive Director Susan Bransen at (916) 654-4245.

Sincerely,



BOB ALVARADO
Chair

c: Commissioners, California Transportation Commission
Susan Bransen, California Transportation Commission, Executive Director
Brian Kelly, California State Transportation Agency, Secretary

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December 19, 2016

The Honorable Jim Beall
Member of the Senate
State Capitol, Room 5066
Sacramento, CA 95814

Re: Support for Senate Bill 1

Dear Senator Beall:

As part of its statutory charge, the California Transportation Commission (Commission) advises the Administration and the Legislature in formulating and evaluating state policies and plans for California's transportation programs. The future of California's economy and our quality of life depend on a transportation system that provides safe, reliable, and efficient travel for people and goods. Over the past decade, the Commission has consistently urged the Administration and Legislature to address the need for reliable and sustainable funding to preserve and expand the state's transportation system as well as reforms to ensure the efficient and effective delivery of transportation projects.

The passage of Senate Bill 1077 (DeSaulnier, 2014) acknowledged the need to investigate a long term transportation funding solution, such as a road usage charge, to replace the gas tax. However, the study and successful statewide implementation of a road charge system will take years to establish. Delaying the need until a long term solution is in place is untenable.

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needs is expected to increase. In absence of a new funding source, the condition of the transportation system will continue to deteriorate.

A sustainable, comprehensive funding and reform solution is critical in order to maintain the state's crumbling transportation infrastructure. Also important is improved efficiency, accountability, and effectiveness in transportation programs, including streamlining environmental processes. Senate Bill 1 delivers that solution allowing for a long term solution to be thoughtfully and thoroughly studied and vetted by the public, the Administration, and the Legislature.

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c: Commissioners, California Transportation Commission
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Brian Kelly, California State Transportation Agency, Secretary

Governor's January 10 Budget Proposal

Governor Brown released his FY 2017-18 budget proposal January 10, 2017. The budget includes total funding of \$18.1 billion for all programs administered within the Transportation Agency. In addition, the Shared Revenues budget in the General Government area allocates over \$1.6 billion in fuel excise tax to cities and counties for local streets and roads (including \$200 million from the Governor's transportation funding package).

The Governor's budget proposal also includes a transportation funding and reform package that closely resembles the package he had included in last year's budget proposal. This proposal would provide roughly \$43 billion in new revenues for transportation over the next ten years, slightly more than last year's proposal of \$36 billion over ten years. The difference is primarily derived from an adjustment of the price-based excise tax to 21.5 cents per gallon instead of the 18 cents per gallon contained in the prior year's proposal.

In this year's proposal, the Governor has included a chart demonstrating the state's highway condition with and without enactment of the transportation funding program. This figure can be found below as Figure TRN-02.

Of note, according to the Transportation Agency Secretary, adoption of the Governor's package should create enough new funding to restore the \$754 million eliminated in the 2016 State Transportation Improvement Program (STIP) as well as creating \$800 million in new programming capacity in the 2018 STIP.

Other differences of this year's proposal from last year's include:

- \$25 million annual set aside to assist regions and local governments in adopting best practices for SB 375 planning and related efforts.
- \$275 million annually for a new Corridor Mobility Program to support the best practices for multi-modal commute corridors.
- Replacing \$100 million annually for the Low Carbon Road Program in last year's package with an equal amount of funding for the Active Transportation Program.
- Additional reforms are proposed, including a proposal to use job order contracting for select maintenance contracts, and implementing the Commission's recommendation to allocate Caltrans support expenditures.

Additional details are included below. The Full Summary of the Governor's proposed budget can be found at www.dof.ca.gov.

Summary of Highway Performance Outcomes:

Figure TRN-02

Ten-Year Highway Condition

With and Without the Governor's Transportation Package

Asset	Performance Target	Without New Investment	With New Investment
Pavement (50,000 lane miles)	98% Good or Fair Condition	Lane miles in poor condition will grow to 9,500	17,000 lane miles of pavement fixed, resulting in 98% good or fair condition
Bridges (13,100 bridges)	98.5% Good or Fair Condition	Bridges in poor condition will grow to 500	500 bridges fixed, resulting in 98.5% good or fair condition
Culverts (205,000 culverts)	90% Good or Fair Condition	Culverts in fair or poor condition will grow to 74,000	55,000 culverts fixed, resulting in 90% in good or fair condition
Traffic Management Systems (TMS) (48,850 elements)	90% Good Condition	8,000 TMS elements that are inoperable representing ramp meters, cameras, changeable message signs, and loop detectors	7,700 TMS elements fixed, resulting in 90% in good condition
Maintenance (assets identified above)	90% - 95% Good Condition	Graffiti, litter, pothole repairs, and other indicators do not achieve performance targets	Pothole repairs, seal cracks, graffiti/ litter removal, and other indicators achieve performance targets at least 90% meeting the good performance target

Summary of Expenditures:

Figure TRN-01
Governor's Transportation Package
(Dollars in Millions)

<i>Investment Category</i>	<i>Program</i>	<i>2016-17 Amount</i>	<i>Annualized Amount³</i>
Local Streets and Roads / Partnership Programs	Active Transportation Program	\$100	\$100
	Local Road Maintenance & Repairs	\$206	\$1,163
	Local Partnership Grants ²	\$0	\$250
	SB 375 Local Partnership Grants	\$25	\$25
	Corridor Mobility Program	\$275	\$275
Transit	Transit Capital ¹	\$485	\$400
State Highway Repair and Maintenance ⁴	Pavement ¹	\$129	\$997
	Bridges and Culverts	\$91	\$554
	Traffic Management Systems	\$12	\$100
	Maintenance	\$120	\$120
Trade Corridors	Improved Goods Movement ¹	\$358	\$250
Total		\$1,801	\$4,234

¹ The 2017-18 totals include anticipated loan repayments.

² Provides up to \$250 million per year beginning in 2017-18.

³ Excludes one-time loan repayments totaling \$706 million.

⁴ Includes \$100 million per year in Caltrans efficiency savings.

Revenue Details (from Department of Finance):

Transportation Funding Proposal	<i>Year #1</i> 2017-18	<i>Year #2</i> 2018-19	<i>Year #3</i> 2019-20	<i>10-year total</i>
Road Improvement Charge: Implement an annual Road Improvement Charge of \$65 per vehicle. (32.9 million vehicles in 2017-18 growing to 35.9 million in 2026-27)	\$ 1.066	\$ 2.134	\$ 2.156	\$ 21.208
Diesel Excise Tax:				
(1) Increase diesel excise tax by 11 cents over the current 16 cent per gallon rate. Largely affects owners of larger trucks, including owners/operators of 450,000 commercial trucks.	\$ -	\$ 0.442	\$ 0.398	\$ 3.543
(2) Index the diesel excise tax to Inflation.	\$ -	\$ -	\$ 0.020	\$ 0.702
Total Diesel Excise Tax:	\$ -	\$ 0.442	\$ 0.418	\$ 4.245
Index Gas Excise Tax:				
(1) Eliminate annual adjustment to the excise tax and set the rate to 18.0 cents for current LSR/STIP/SHOPP apportionment formula.	\$ -	\$ 0.199	\$ 0.470	\$ 0.717
(2) Increase excise tax by 3.5 cents to match the 2013-14 rate of 21.5 cents for allocation to new activities.	\$ -	\$ 0.535	\$ 0.530	\$ 4.603
(3) Index the gasoline excise tax to Inflation.	\$ -	\$ -	\$ 0.150	\$ 5.397
Total Diesel Excise Tax:	\$ -	\$ 0.734	\$ 1.150	\$ 10.717
Cap and Trade: Allocate \$500 million per year of the 40% of C&T revenue that is not continuously appropriated.	\$ 0.500	\$ 0.500	\$ 0.500	\$ 5.000
Ongoing Transportation Revenue:	\$ 1.566	\$ 3.810	\$ 4.224	\$ 41.170
Caltrans Efficiencies: Hiring flexibility, CEQA, Public Private Partnerships	\$ 0.100	\$ 0.100	\$ 0.100	\$ 1.000
Pre-Proposition 42 loan early repayment: \$879 million total - \$132 million SHA, \$265 million PTA, \$482 million TCRF.	\$ 0.235	\$ 0.235	\$ 0.236	\$ 0.706
Total:	\$ 1.901	\$ 4.145	\$ 4.560	\$ 42.876

