



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 2c

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Memorandum

TO: Legislation Committee

DATE: October 2, 2015

FR: Deputy Executive Director, Policy

W. I. 1131

RE: Update on Transportation Special Session

Background

While the regular session of the Legislature adjourned on September 11 without a transportation funding package on the Governor's desk, the transportation funding special session has no fixed deadline so discussions are continuing, albeit at a slower pace than in the final two weeks of session. Appointments to the Joint Transportation Infrastructure Conference Committee were announced on September 23, 2015 and include the following members of the Legislature:

Assembly

Assemblymember Jimmy Gomez (D-Northeast Los Angeles), Co-Chair
Assemblymember Autumn R. Burke (D-Inglewood)
Assemblymember Melissa Melendez (R-Lake Elsinore)
Assemblymember Kevin Mullin (D-South San Francisco)
Assemblymember Jay Obernolte (R-Big Bear Lake)

Senate

Senator Jim Beall (D-San Jose) (Co-chair)
Senator Benjamin Allen (D- Santa Monica)
Senator Connie Leyva (D-Chino)
Senator Anthony Cannella (R-Ceres)
Senator Ted Gaines (R-Roseville)

Two bills have been referred to the committee —SB x1-4 (Beall) and AB x1-3 (Frazier) as placeholders — commonly referred to as “spot bills”— with real language to be added later. A side-by-side summary of the various proposals under consideration produced by California Association of Councils of Government (CALCOG) is included as Attachment 1.

Brown Administration's Proposal

In the final week of the regular legislative session, the Brown Administration released its own transportation funding proposal, consisting of approximately \$3.5 billion in ongoing funding backed by new revenue and \$1.4 billion in one-time funding. Of the \$3.5 billion, approximately \$2.6 billion would be deposited in a new Road Maintenance and Rehabilitation Account and is proposed as follows:

- \$200 million for a Trade Corridor Enhancement Account
- \$250 million for a Local Partnership Program (strictly for cities and counties that approve new taxes or adopt fees dedicated to transportation improvements)

- \$2.1 billion split 40% to cities and counties for local streets and roads and 60% to the State Highway Account for maintenance of the state highway system or for allocation to projects in the SHOPP – State Highway Operation and Protection Program.

New Annual Revenue

Revenue sources comprising the \$3.5 billion in new annual funding are as follows:

- A \$65 Road Improvement Charge assessed on every registered vehicle (~\$2 billion)
- A 6-cent increase in the gasoline excise tax to restore the 18-cent rate prior to the Board of Equalization cut last March. (~\$900 million)
- Revenues attributable to the 11-cent increase in the diesel excise tax (~\$300 million)
- Revenues attributable to indexing the base gasoline and diesel excise taxes (~\$200 million)
- Caltrans efficiencies (~\$100 million)

As noted above, \$2.6 billion would be deposited in the new Road Maintenance and Rehabilitation Account mentioned above, while the remaining \$900 million (from the 6-cent gas tax increase) would be distributed according to the formula established as part of the Gas Tax Swap of 2011 which distributes 44% of funds to the State Transportation Improvement Program, 44% to cities and counties for local streets and roads and 12% to the SHOPP in order to restore FY 2014-15 funding levels. As such, relative to FY 2014-15 funding levels, the Brown Administration's proposal represents a \$2.6 billion increase.

One-Time Funding

The measure also proposes immediate repayment of \$879 million in outstanding loans made from various transportation accounts to the General Fund, to be repaid as follows. One-time funds payable by loan proceeds are proposed to be invested as follows:

- \$334 million for Trade Corridors
- \$265 million Transit & Intercity Rail Capital Program (TIRCP) (with 50% for disadvantaged communities)
- \$148 million for projects programmed in the Traffic Congestion Relief Program that have not yet received a full allocation
- \$132 million for state highway repairs in the SHOPP

In addition, the Administration's proposal includes an appropriation of \$500 million in one-time funds payable by Cap and Trade funds as follows:

- \$100 million for a new competitive Low Carbon Road Program with projects to be selected by Caltrans aimed at reducing GHG emissions and improving mobility, with a priority on serving disadvantaged communities.
- \$400 million for the TIRCP — bringing the total TIRCP augmentation to \$665 million for FY 2015-16 (above the \$200 million already approved in the FY 2015-16 budget).

New Policy Provisions

The Administration's bill language also contains a number of policy provisions that have been included in proposals by Republican leadership including:

- Adding six new slots for projects to the construction manager/general contractor procurement method;
- Establishing an Advance Mitigation program to fund environmental mitigation on a more strategic, ongoing basis rather than a project-by-project basis; and
- Requiring Caltrans reach a contracting out staff equivalent to 20 percent of its Capital Outlay Support program by 2020.

Legislative Proposals

The major proposal introduced in the Senate is Senate Bill x1-1 (Beall), a \$4.5 billion plan that began as a simple reintroduction of SB 16, which MTC supported earlier this year. SB x1-1 has a focus on roadway repairs with a 50/50 split between funding for the state highway system and local streets and roads. The gasoline and diesel fuel tax increases are retained in the bill, but weight fee restoration was removed, along with a vehicle license fee increase that was inserted specifically to backfill the General Fund for the loss of weight fee revenue. In addition to the substantial difference in the magnitude of funding raised and the funding sources (SB x1-1 includes a 12-cent gas tax increase and a 22-cent diesel tax increase), it is noteworthy that while the Brown Administration's proposal includes \$664 million in one-time new funding for public transit, SB x1-1 is strictly a roadway proposal, including bicycle and pedestrian enhancements.

Amendments to SB x1-1 in September added new requirements related to bicycle and pedestrian access and performance measures. Specifically, the amended version would:

- Require all State Transportation Improvement Program (STIP) and SHOPP projects to incorporate improvements for bicycles and pedestrians, subject to certain exceptions
- Require all STIP and SHOPP projects to reduce GHG emissions "to the maximum extent feasible" and benefit "vulnerable or disadvantaged communities" — not defined in the bill
- Require the CTC to adopt performance criteria for state or local road repair projects funded by the bill related to highway performance, greenhouse gas emissions, social equity impacts and public health impacts. Project sponsors would be required to submit documentation to the CTC every year regarding how a project funded with the new revenue from the bill contributes to meeting these criteria
- Empower the California Transportation Commission (CTC) to withhold future STIP or SHOPP funds from an applicant who did not meet the performance criteria for a prior project

On the Assembly side, Assembly Speaker Toni Atkins and Assembly Transportation & Infrastructure Committee Chair Jim Frazier held a number of hearings in August, but no comprehensive proposals have been introduced to date. A number of transit funding proposals were introduced in the Assembly, however, as noted below.

Transit Funding Included in Senate and Assembly Proposals

In response to advocacy by MTC, Bay Area transit operators and the California Transit Association, among others, several bills were introduced and approved that include transit funding as part of the overall funding package in the special session. AB x1-8 (Chiu) and SBx1-7 (Allen) would double the State Transit Assistance Program by doubling the sales tax rate on diesel fuel while ABx1-7 (Nazarian) and SB x1-8 (Hill) would double the share of Cap and Trade funding deposited in the transit-related programs. The Senate versions of these bills were approved by the Senate T&I Committee.

Republican Proposals Include Funding and Non-Funding Related Bills

Given the two-thirds vote required, much attention is focused on finding the three Republican votes necessary to pass a bill — two in the Assembly and one in the Senate. Republican funding proposals in the special session have focused on transferring existing funding to streets and roads, including Cap and Trade funding (SBx1-2, Huff), High-Speed Rail funding (SB x1-3, Vidak and SBx1-6, Runner), and General Fund surpluses (Assembly Republican Caucus Proposal, included as Attachment 2).

In terms of policy changes, Republicans have introduced a number of long-sought changes they hope to emerge from the special session, including exempting from the California Environmental Quality Act (CEQA) certain roadway repair and safety projects within the existing right-of-way (SB x1-11, Berryhill), converting the Regional Transportation Improvement Program into a block grant program, (SB x1-10, Bates), increasing the amount of contracting out at Caltrans (SB x1-9, Moorlach) and making the California Transportation Commission independent (SB x1-12, Runner), among other ideas.

Next Steps

In partnership with Bay Area local agencies and statewide transportation advocacy organizations, staff will continue to keep the pressure on the Bay Area's legislative delegation and members of the Legislative Joint Transportation Infrastructure Conference Committee to enact a new funding package this year. If we miss the opportunity presented by the Governor's State of the State address and his convening of a transportation funding special session this summer, there is a very real risk that securing new revenue for California's deteriorating transportation infrastructure will be placed on the back burner in 2016.



Alix Bockelman

AB: rl



FIRST EXTRAORDINARY SESSION TRANSPORTATION FUNDING & REFORM PROPOSALS

California Association of Councils of Governments

September 21, 2015

	FUNDING SOURCES	EXPENDITURES	POLICIES & REFORMS
Governor's Proposal	<p>Raises \$3.6 Billion in New Revenue</p> <ul style="list-style-type: none"> • <u>\$500 Million</u> from CPI adjustments • <u>\$300 Million</u> from 11 cent diesel tax increase • <u>\$ 2 Billion</u> from \$65 per year vehicle fee • <u>\$100 Million</u> in Caltrans efficiencies • <u>\$500 Million</u> in Cap & Trade Funding (<i>1 time?</i>) <p>Plus \$879 Million in One Time Loan Repayments</p> <ul style="list-style-type: none"> – <u>\$265 Million</u> for transit and intercity rail – <u>\$334 Million</u> for trade corridors, – <u>\$148 Million</u> to local traffic congestion relief – <u>\$132 Million</u> in state highway repairs. 	<p>New Road Maintenance & Rehab Account (RMRA)</p> <p>- \$1.8 Billion for State Programs</p> <ul style="list-style-type: none"> • <u>\$1.6 Billion</u> to SHOPP • <u>\$200 Million</u> for Goods Movement (TCIF) <p>- \$1.8 Billion for Local Programs</p> <ul style="list-style-type: none"> • <u>\$1.050 Billion</u> to local streets and roads • <u>\$250 Million</u> to State-Local Partnership for any county with a dedicated transportation fee • <u>\$400 Million</u> commuter rail & low carbon transit • <u>\$100 Million</u> – Local complete street program 	<ul style="list-style-type: none"> • Ballot initiative to protect revenues • Indexes gas and diesel tax rates to CPI • Eliminates fuel tax swap; restores pre-swap 18 cent excise rate • CEQA exemption for repairs in ROW • P3 extension for 10 years • CM/GC extended to 12 projects • Unspecified Caltrans efficiencies (\$100 M) • Advanced mitigation (\$30 M)
Legislative Proposals from Democrats	<p>\$3.9 Billion in New Road Funding: Beall (SBX1-1)</p> <ul style="list-style-type: none"> • <u>\$1.8 Billion</u> - 12 cents/gal increase on motor fuels • <u>\$572 Million</u> - 22 cents/gal on diesel fuels • <u>\$1.5 Billion</u> – New \$35 vehicle registration fee and another \$35 fee for road access (\$100 for Zero Emission Vehicles) <p>\$1 Billion in Restored Weight Fees (ABX1-1);</p> <ul style="list-style-type: none"> • <u>\$1 Billion</u> in weight fees remain in State Highway Account <p>\$700 Million Transit Funding: (SBX1-7 & 8) (ABX1-7 & 8)</p> <ul style="list-style-type: none"> • <u>\$400 Million</u> by doubling allocations from Cap & Trade for Intercity Rail and Low Carbon Transit programs • <u>\$300 Million</u> (estimated) from 3.5% increase on diesel fuel sales tax for State Transit Account <p>Active Transportation Program (SBX1-23)</p> <ul style="list-style-type: none"> • <u>\$125 Million</u> <i>redirected</i> to ATP from State Hwy. Account 	<p>Road Maintenance & Rehab. Account (SBX1-1)</p> <ul style="list-style-type: none"> • <u>\$300 Million</u> to Goods Movement via TCIF program (from extra 10 cents/gal on diesel fuel) • <u>5% (est. \$180 Million)</u> incents new local sales taxes • <u>Remaining \$3.4 Billion</u> split equally for SHOPP and to cities and counties for local streets and roads • CTC oversight of fund expenditures <p>Weight Fee & Transit Funding: Per existing State Highway Account and Cap and Trade programs</p> <p>Active Transportation Program (SBX1-23)</p> <ul style="list-style-type: none"> • Funds redirected to current ATP; • Also includes policy reform proposal in SBX1-1 related to STIP and SHOPP performance criteria. 	<p>SBX1-1 (and SB 16 from regular session)</p> <ul style="list-style-type: none"> • Indexes gas and diesel tax rates to CPI • Eliminates fuel tax swap; restores base rate • Increase Caltrans efficiencies by 30% with savings dedicated to SHOPP maintenance <p><i>Late Active Transportation Amends (SBX1-1)</i></p> <ul style="list-style-type: none"> • STIP & SHOPP capital projects must address bike and pedestrian access unless excluded • CTC develops criteria for STIP & SHOPP to address GHG, social equity, public health, and effects on disadvantaged communities. • CTC develops LSR criteria to measure PCI, bridge health, maintenance LOS, GHG, ATP benefits, and public health co-benefits.
Legislative Proposals from Republicans	<p>Senate Bills Redirect \$1.3 Billion in Existing Revenues</p> <ul style="list-style-type: none"> • <u>\$1.3 Billion</u> (est.)* in Cap and Trade (proposals overlap) <ul style="list-style-type: none"> – Redirect all cap and trade funds derived from motor vehicle fuels to transportation (SBX1-2) – Redirect 65% of cap and trade proceeds (approximate motor fuel contribution) to CTC (SBX1-6) <p>Assembly Bills Redirect \$4.4 Billion in Existing Revenues</p> <ul style="list-style-type: none"> • <u>\$500 Million</u> - 25% of Cap & Trade to SHOPP (ABX1-17)* • <u>\$1 Billion</u> from rededicating Weight Fees (ABX1-18) • <u>\$200 Million</u> from AHSC (ABX1-13) • <u>\$1 Billion</u> annually from General Fund (ABX1-14) • <u>\$685 Million</u> by eliminating vacant positions (ABX1-20) • <u>\$500 Million</u> by redirecting capital outlay (ABX1-15) 	<p>Senate Bill Methodologies</p> <ul style="list-style-type: none"> • <u>\$1.3 Billion*</u> in cap in trade (proposals overlap) <ul style="list-style-type: none"> – Appropriated for transportation infrastructure annually, including streets and highways, but excludes high speed rail (SBX1- 2) – For priority projects; 40%state highways, 40% local streets and roads, & 20% transit (SBX1-6) <p>Assembly Bill Methodologies</p> <ul style="list-style-type: none"> • <u>\$1 Billion</u> weight fees stay in State Hwy Account • <u>\$500 Million*</u> - 25% Cap & Trade funds to SHOPP • <i>Remaining bills would evenly split funds:</i> <ul style="list-style-type: none"> – <u>\$1.2 Billion</u> for the SHOPP – <u>\$1.2 Billion</u> for Local Streets and Roads 	<ul style="list-style-type: none"> • Ballot initiative to protect revenues (SCAX1-1) • Eliminate sunset on P3 authority (SB1X-14) • CEQA: exempt ROW repairs (SBX1-11) and prohibit enjoining construction (ABX1-21) • Increases Caltrans contracting and limit use of temp funding for permanent positions (SB X1-9) • Create Inspector General (SBX1-13) • Convert STIP to regional grants (ABX1-10) • Allow Design-Build (AB 1X-22) • Remove CTC from CalSTA (SBX1-12; ABX1-19) • Two county pilot for county operation of state highways (AB1X-16)

* Cap and Trade: All calculations based on \$2 billion in annual revenues

** General Disclaimer: This chart is only a summary. Some funding totals and outcomes are inferred. See referenced legislation for specific details.

FIXING OUR ROADS

#MAKEGOVWORK

A ROADMAP OF PRIORITIES: A NINE-POINT, \$6.6 BILLION PLAN TO FUND TRANSPORTATION INFRASTRUCTURE & FIX OUR ROADS WITH EXISTING RESOURCES

6 EXISTING FUNDS

40% of funds in California's Cap & Trade program: \$1 Billion+ Annually (ABx1 17, Achadjian)

The goal of Cap & Trade is to offset the impacts of greenhouse gas emissions on our environment. Californians currently pay higher prices at the pump because fuels are now included in the Cap & Trade Program, making Cap & Trade funds directly linked to transportation infrastructure. Additionally, better roads means better fuel efficiency which leads to a clear reduction in greenhouse gas emissions.

Existing funds from Vehicle Weight Fees: \$1 Billion Annually (ABx1 18, Linder)

The Vehicle Weight Fee (VWF) is a non-controversial payment made to offset the costs of damage done to our roads by heavy trucks. During the recession, VLF revenue was diverted to purposes other than road maintenance. This budget gimmick is no longer needed. It is time to put this money back toward its intended use.

Invest half of the Governor's strategic growth fund into shovel-ready roads projects: \$200 Million Annually (ABx1 13, Grove)

The state budget provides the governor with \$400 million a year for projects of his choosing. The Assembly Republican plan prioritizes safe roads and reduces this discretionary pot of money by half, freeing up \$200 million for road projects that can quickly make a difference for Californians who use cars to get around our state.

Eliminate redundancies at Cal Trans: \$500 Million annually (ABx1 15, Patterson)

We support the non-partisan Legislative Analyst Office's (LAO) recommendation to eliminate the 3,500 redundant positions at Cal Trans. The LAO reports this will not negatively impact any construction projects.

Eliminate and capture savings from vacant state positions: \$685 Million annually (ABx1 20, Gaines)

There are thousands of vacant positions in state government that remain unfilled for more than six months. Until recently, the law required that any such position be eliminated. While some positions are essential and difficult to fill, the majority are not and, in fact, are intentionally kept vacant so that state agencies can capture the money and spend it elsewhere. This money is better used fixing roads than padding state bureaucracy. Our proposal is for 25 percent of these vacant positions to be eliminated, using the savings to fund transportation projects.

Make a formal commitment in the State Budget General Fund to fund transportation: \$1 Billion annually (ABx1 14, Waldron)

The last two state budgets grew spending by \$8.1 billion and \$7.5 billion respectively. Early indications are that we will have \$4 billion more revenue next year. Despite this revenue surge, these budgets completely ignored the state's transportation needs. According to the LAO, the three-year revenue forecast is such that we can fully fund Prop. 98 and the Rainy Day Fund, and still dedicate \$1 billion annually to transportation. We propose doing this. Transportation is a top priority and must be funded as such.

+ \$2.3 billion in approved spending for 2015-16 fiscal year

= \$6.6 Billion to fund transportation projects and 90,000 jobs added to the workforce without raising taxes



FIXING OUR ROADS

#MAKEGOVWORK

3 POLICY CHANGES TO GET OUR ROADS FIXED

CEQA Relief for Highway Projects (ABx1 21, Obernolte)

Relief from abuses of the California Environmental Quality Act could reduce costs and delays associated with highway projects and move our transportation projects out of lawsuits and red tape. Under our plan, highway projects would be insulated from injunctions, like the model enacted for the Kings basketball arena. Highway projects could be expedited by prohibiting a court from staying or enjoining a project unless certain specific factors are present (threat to health and safety, Native American artifacts, etc.). If we can do it for billionaire professional sports team owners, we should be able to do it for Californians who want out of traffic gridlock and those who will be put to work on the projects. The present and future of our state economy relies on a strong transportation network that can reliably move goods and services. Building and maintaining such a network of roads, highways, and bridges should not get hung up in endless years of CEQA litigation and bureaucracy.

Foster Public-Private Partnerships (P3s) for transportation projects (ABx1 2, Olsen)

Removing the sunset on provisions authorizing the use of development lease agreements (aka “public-private partnerships” or P3s) for transportation projects will get roads fixed faster. Due to limited available funding for highway construction and maintenance, P3s are an attractive option for the state to most efficiently use limited resources to repair its deteriorating infrastructure. SB 2X 4 (Cogdill) (Chapter 2, Statutes of 2009) authorized Caltrans and regional transportation agencies to enter into an unlimited number of P3 agreements for a broad range of highway, road, and transit projects, through December 31, 2016. Deleting this sunset will maintain the flexibility for Caltrans and regional agencies to leverage private investment in project design, construction, and operation.

Get the politics out of transportation projects: Restore CTC Independence (ABx1 19, Linder)

Removing the California Transportation Commission (CTC) from the Executive Branch restores its status as an independent body. The CTC was created by the Legislature in 1978 as an independent body responsible for the programming and allocating of funds for the implementation of highway, passenger rail and transit improvements throughout California. The Governor’s Reorganization Plan No. 2 (GRP2) of 2012 changed the CTC from an independent agency to an entity within the newly created Transportation Agency. Keeping CTC under the control of the Secretary of Transportation frustrates meaningful oversight of the administration, and creates the potential for politicization of transportation funding decisions.

*<http://lao.ca.gov/reports/2014/budget/capital-outlay/capital-outlay-support-program-051414.pdf>