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$5.2 Billion Transportation Funding Deal Announced, includes $1.5 Billion for Local Streets and Roads

On Wednesday, March 29, 2017, a transportation funding agreement was announced by Gov. Jerry Brown, Senate President pro Tem Kevin de León (D-Los Angeles) and Assembly Speaker Anthony Rendon (D-Lakewood) representing the hard work of Sen. Jim Beall (D-San Jose) and Assembly Member Jim Frazier (D-Oakley), who have championed the need to provide new investment in the transportation system as chairs of their respective houses' transportation committees. The agreement, officially called The Road Repair and Accountability Act of 2017, will provide $5.2 billion annually and is a significant investment in California's transportation infrastructure. When approved, the agreement will provide $15 billion for local streets and roads over the next ten years.

The agreement is reflected in SB 1 (Beall), which contains the specific provisions, and ACA 12 (Frazier), a constitutional amendment to protect the funds from being diverted or used for other purposes.

A vote is expected the week of April 3.

CalTrans has released a funding analysis of the package that includes ten-year estimates of local streets and roads revenues.

Reforms

- **Gives the California Transportation Commission (CTC) additional oversight authority over the State Highway Operation and Protection Program (SHOPP).** CalTrans will be required to submit additional information on the proposed capital and support budget for projects included in the SHOPP to the CTC for approval. CTC will be required to allocate capital outlay support resources by project phase. As part of the CTC's review of the proposed program, they must hold at least one hearing in southern California and one hearing in northern California. In addition, CalTrans will be required to receive approval from the CTC for increases in capital or support costs above the initially approved allocation (CTC will be able to establish guidelines to determine when the additional approval is not necessary in order to avoid unnecessary delays in project delivery).

- **Requires transparency from local agencies on what projects they fund with new revenues.** Cities and counties are required to submit a list to the CTC, before and after expenditure, of the projects proposed to be funded. The list must be adopted as part of the jurisdictions' budget and include a description and location of the project, a proposed schedule of completion, and the estimated useful life of the project. Likewise, transit agencies will be required to submit to CalTrans a similar list of projects proposed to be funded and projects completed through the State Transit Assistance Program. These lists must be submitted in order to receive funds, but can be changed to adapt to local needs as long as the changes are consistent with other requirements of the bill.

- **Creates Independent Office of Audits and Investigations at CalTrans.** Its role will be to ensure that state and external entities that receive state and federal transportation funds are operating efficiently, effectively, economically, and in compliance with applicable federal and state requirements. External agencies include (but are not limited to) private for profit and nonprofit organizations, local transportation agencies, and other local agencies that receive transportation funds either through a contract with the department or through an agreement or grant administered by the department. The director of the office, who will have the title of Inspector General, will serve a six-year term and be appointed by the Governor with Senate confirmation.

- **Creates an Advanced Mitigation Program for transportation projects.** The bill creates the Advance Mitigation Program to enhance communications between CalTrans and stakeholders to protect natural resources through project mitigation, to meet or exceed applicable environmental requirements, to accelerate project delivery, and to fully mitigate environmental impacts from transportation infrastructure projects. CalTrans is required to consult with the Department of Fish and Wildlife on activities. CalTrans will be required to set aside at least $30 million annually for four years from the State Transportation Improvement Program (STIP) and SHOPP to fund the program.

- **Requires "complete streets" to be included in the Highway Design Manual.** The bill requires CalTrans to update the Highway Design Manual to include the "complete streets" design concept (emphasizes safety and access for all users, including pedestrians and bicycles) no later than January 1, 2018.

- **Requires CalTrans to double the dollar value of its contracts awarded to small businesses.** CalTrans is required to develop a plan increases by up to 100 percent the dollar value of contracts and procurements awarded to small businesses, disadvantaged business enterprises, and disabled veterans business enterprises. Outreach must also target minority and women business enterprises. The plan must be developed by January 1, 2020.

- **CalTrans Efficiency Measures.** CalTrans is required to implement efficiency measure with the goal to generate at least $100 million annually in savings, and must report these savings to the CTC.

<u>Revenues (Approximate)</u>

- **$1.8 billion from a 12 cent increase to the gasoline excise tax and annual adjustments to the current base gas tax and increase for inflation** *(effective November 1, 2017).* The revenue generated from this particular increase would help restore the gas tax' lost purchasing power due to inflation. The funds attributable to the 12-cent increase would be transferred to the newly created Road Maintenance and Rehabilitation Account (RMRA) for distribution. The first adjustment for inflation is scheduled for July 1, 2020.

- **$1.1 billion from ending the Board of Equalization (BOE) "true up" and resetting the rate to the historical average of 17.3 cents per gallon, adjusted annually for inflation** *(effective July 1, 2019).* This provision would "reset" the priced based excise tax on gasoline to its original rate of 17.3 cents. The first adjustment for inflation is scheduled for July 1, 2020.

- **$1.6 billion from a transportation improvement fee, adjusted annual for inflation** *(effective Spring 2018).* This new fee would be used for the research, planning, construction, improvement, maintenance, and operation of public streets and highways (and related facilities to support nonmotorized traffic). It will be collected with the existing vehicle registration fees. The amount of the fee will be based on the market value of the vehicle:

Car Value	Amount Paid
Under $5,000	$25
$5,000-$24,999	$50
$25,000-$34,999	$100
$35,000-$59,999	$150
Over $60,000	$175

  The fee will be adjusted for inflation beginning July 1, 2020.

- **$600 million from a 20 cent per gallon increase to the diesel excise tax, adjusted annually for inflation** *(effective November 1, 2017).* Fifty percent of the funds attributable to the 20 cent increase to the diesel excise tax would be transferred to the Trade Corridors Improvement Fund (TCIF). The remaining 50 percent would go to the newly created RMRA. The first adjustment for inflation is scheduled for July 1, 2020.

- **$300 million from a 4 percent increase to the diesel sales tax** *(effective November 1, 2017).* The funds generated through the additional 4 percent increase to the diesel sales tax. The State Transit Assistance Program would receive revenues from a 3.5 percent increase, and the remaining would go to intercity rail and commuter rail purposes.

- **$20 million from new $100 dollar Vehicle Registration Fee on zero emission vehicles model year 2020 and later, adjusted annually for inflation** *(effective July 1, 2020).* This provision will apply to new ZEV's sold after January 1, 2020 and 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 first adjustment for inflation is scheduled for January 1, 2021.

- **$706 million from Loan Repayments.** $706 million one-time funds for transportation loan repayments which will be repaid proportionately and in equal installments over three years. These funds were originally loaned from the Transportation Congestion Relief Program, which is being closed out (see Other Provisions section below).

<u>Allocations</u>

Revenues generated from these proposals will provide the following projected annual allocations:

- State Highway System - $1.5 billion annually for maintenance and rehabilitation of the state highway system (continuous appropriation).
- Local Streets and Roads – $1.5 billion annually for maintenance and rehabilitation of local streets and roads (continuous appropriation).
- State Local Partnership Program – $200 million for the State-Local-Partnership Program for existing and aspiring self-help jurisdictions. Guidelines will be developed by the CTC by January 1, 2018.
- Active Transportation Projects – $100 million annually for active transportation projects (upon appropriation by the Legislature).

- Public Transportation – $750 million to improve transit operations and capital improvements.
- Local Transportation Planning Grants – $25 million for planning grants to further state goals including goals and best practices included in regional transportation guidelines (upon appropriation by the legislature), allocated by CalTrans.
- Freight, trade corridors, and goods movement – $300 million annually for freight, trade corridors, and goods movement through the newly created Trade Corridor Enhancement Account (upon appropriation by the legislature). Projects will be nominated by local agencies and the state.
- Congested Communities – $250 million annually to reduce congestion in major commute corridors through the newly created Solutions for Congested Corridors Program. Funds will be allocated by the CTC to projects designed to achieve a balanced set of transportation, environmental, and community access improvements within highly congested travel corridors. Projects elements may include improvements to state highways, local streets and roads, transit facilities, bike/ped facilities, and protection of local habitat or open space. Projects may be nominated by the state or regional or county transportation agencies.
- Bridges and Culverts – $400 million for bridge and culvert repair (upon appropriation by the Legislature).
- State Transportation Improvement Program – Restoration of $1.1 billion annually for capital projects and improvement on the state's highway system.
- Transit and Intercity Rail – $27.5 million annually for transit and intercity rail capital projects and operations
- Freeway Service Patrol – $25 million to support the Freeway Service Patrol (upon appropriation by the legislature).
- California State University and University of California – $7 million for transportation research and workforce training (upon appropriation by the Legislature).
- Preapprenticeship Programs – $5 million annually for five years to assist local agencies to implement policies to promote preapprenticeship training programs.
- Loan Repayments – The Department of Finance will set a repayment schedule which must conclude by June 30, 2020. The amount of loan repayments are as follows:
  - $225 million allocated to local streets and roads using existing Section 2103 formulas;
  - $256 million to the Public Transportation Account, of which up to $20 million goes to local and regional agencies for climate change adaptation planning; and,
  - $225 million to the State Highway Operation and Protection Program (SHOPP).

<u>Additional Details on Local Streets and Roads and SHOPP Allocations</u>

Funds made available from the Road Maintenance and Rehabilitation Account (which includes the Local Streets and Roads allocations) have several requirements cities should be aware of.

- **Eligible Uses.** Funds made available by the program can be used (1) to satisfy match requirements of a state or federal program or (2) for projects that include, but are not limited to, the following:
  - Road maintenance and rehabilitation.
  - Safety projects.
  - Railroad grade separations.
  - Complete street components, including active transportation purposes, pedestrian and bicycle safety projects, transit facilities, and drainage and stormwater capture projects in conjunction with any other allowable project.
  - Traffic control devices.

If a city's or county's pavement condition index meets or exceeds 80, they may use the funds for other transportation purposes (which is not defined).

- **Maintenance of Effort.** Cities and counties must maintain their existing commitment to transportation funding. The commitment must not be less than the average expenditures in 2009-10, 2010-11, and 2011-12 fiscal years.
- **Recycling Techniques.** To the extent possible and cost effective, and where feasible, agencies must use advanced technologies and material recycling techniques that reduce the cost of maintaining and rehabilitating the streets and highways, and that exhibit reduced levels of greenhouse gas emissions through material choice and construction method.
- **Advanced Automotive Technologies.** To the extent possible and cost effective, and where feasible, agencies must use advanced technologies and communications systems in transportation infrastructure that recognize and accommodate advanced automotive technologies that may include, but are not necessarily limited to, charging or fueling opportunities for zero-emission vehicles, and provision of infrastructure-to-vehicle communications for transitional or full autonomous vehicle systems.
- **Climate Change Adaptation.** To the extent deemed cost effective, and where feasible, in the context of both the project scope and the risk level for the asset due to global climate change, agencies must include features in the projects funded by the program to better adapt the asset to withstand the negative effects of climate change and make the asset more resilient to impacts such as fires, floods, and sea level rise.
- **Complete Streets.** To the extent beneficial, cost effective, and practicable in the context of facility type, right-of-way, project scope, and quality of nearby alternative facilities, and where feasible, agencies must incorporate complete street elements into projects funded by the program, including, but not limited to, elements that improve the quality of bicycle and pedestrian facilities and that improve safety for all users of transportation facilities.
- **Preapprenticeship Programs.** The California Workforce Development Board will develop guidelines for agencies receiving funds to participate in, invest in, or partner with new or existing preapprenticeship training programs. All agencies receiving funds must meet the guidelines by July 1, 2023. Grant recipients are required to outreach to various individuals who may be eligible to participate in preapprenticeship training programs.

<u>**Other Provisions**</u>

- **Closes out the Traffic Congestion Relief Program (TCRP).** All projects without an approved application as of June 30, 2017, for the TCRP will no longer be eligible for funding. Also repeals related provisions in law that authorized the use of tribal gaming compact revenues to partially repay $1.2 billion in loans from the TCRP to the state's General Fund.
- **Establishes "safe harbor" timelines for allowable use of commercial vehicles.** Establishes timelines for the useful life of commercial vehicle (trucks) until the later of either (1) thirteen years after model year of the original certification of the engine and emission control system or (2) when the vehicle reaches 800,000 vehicle miles or 18 years after the model year of the original certification of the engine and emission control system. Legislative amendments added on April 3rd, clarify that this provision is intended to provide certainty on the useful life of engines certified for use in the state under California Air Resources Board (CARB) regulations, and states that it is not meant to otherwise restrict the authority of (CARB) or local air quality districts. CARB is required to evaluate the impact of this provision by January 1, 2025. This provision does not apply to safety programs, voluntary incentive and grant programs, inspection and maintenance program, or programs to address an imminent health risk.

- **Diesel-Fueled Vehicle compliance with Air Resources Board regulations.** Requires the Department of Motor Vehicles (DMV) to confirm compliance with Air Resources Board regulations for specified diesel-fueled vehicles.
- **Revises allocations for taxes paid for fuel used in off-highway vehicles.**
    - Revenues from the increased taxes derived from fuel for boats and other watercraft will be deposited in the State Parks and Recreation Fund. (Current revenues will continue to go to the Harbors and Watercraft Revolving Fund).
    - Revenues from fuel purchased for agricultural vehicles off-highway use will be deposited into the Department of Food and Agriculture Fund.
    - Revenues from fuel purchased for other off-highway vehicles will be deposited in the State Parks and Recreation Fund to be used for state parks, off-highway vehicle programs, or boating programs.

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