SACOG

SACOG Board of Directors

Item #15-5-13
Action

May 14, 2015

Support for SB 16 – Transportation Funding

Issue: Should SACOG support SB 16, which would raise temporary taxes and fees for transportation?

Recommendation: The Government Relations and Public Affairs Committee recommends that the Board support SB 16.

Committee Action/Discussion: The Government Relations and Public Affairs Committee voted to recommend support for SB 16, with three in favor of supporting SB 16, with four abstaining. The general concerns of those abstaining related to: 1) whether the funds would be protected from future borrowing by the State of California; 2) the impact on consumers and business of increased taxes; and 3) what specific Caltrans reforms would result from this bill.

Chair Serna wanted to have a full board discussion on the bill given the significant policy issues of the region's fix-it-first needs and the revenue that would come to SACOG jurisdictions.

At the committee meeting, staff stated that the gas taxes would be protected by Article XIX of the California Constitution. Attachment C includes further background on Constitutional protections for transportation funding, as well as the repayment of past borrowing included in SB 16. Attachment C also contains further analysis of SB 16 that was not included in the item that went to the Government Relations and Public Affairs Committee.

Overview

SB 16 would increase several taxes and fees to raise roughly $3.5 billion in new transportation revenues annually to address deferred maintenance on the state highways and local streets and roads. The taxes and fees would sunset after five years.

In the Governor's inaugural address in January, he called for a bipartisan fix to the $59 billion maintenance backlog for state highways. Additionally, the League of California Cities and California State Association of Counties identified a $78.3 billion maintenance backlog for local streets and roads. Without additional funding, the percentage of roads in failed condition will increase from 6 percent to 25 percent by 2024, greatly increasing the cost of repair.

SB 16 would create the Road Maintenance and Rehabilitation Program, which would be used exclusively for those purposes. Five new or existing taxes or fees would be raised in order to fund the RMRP. The table on the next page shows the current transportation taxes and fees, and what the proposed addition would be for each type. SB 16 would require repayment of $1 billion in loans from transportation accounts to the General Fund that would be repaid to the RFMP over three years, and weight fees, which have been used to pay off transportation-related general obligation bonds, would be redirected to RMRP. SB 16 would also require Caltrans to provide the California Transportation Commission with a plan to increase the department's efficiency by 30 percent over the prior three years, with the savings going to RMRP.

Current State Transportation Taxes And Fees, and Proposed Increases

	Current	Proposed increase
Gasoline excise tax (per gallon)	$0.36	$0.10
Diesel excise tax (per gallon)	$0.11	$0.12[1]
Diesel sales tax	$0.27/gallon	-
Vehicle license fee (annual)	0.65% of market value	0.07% annually over five years
Vehicle registration fee (annual)	$43	$35
Weight fees for commercial vehicles (annual)	Up to $2,271	-
Zero emission vehicle license fee (annual)	-	$100

For an average driver, using a typical vehicle value, average fuel efficiency, and driving 12,000 miles per year, the extra fees and taxes will result in direct cost increases of about $180/year or $0.50/day.

SB 16 is consistent with SACOG's State Advocacy Principles, which call for: 1) giving regions and local governments additional revenue options and protections, 2) restricting the state budget to help stabilize transportation funding, 3) supporting new ways to fund transportation needs.

SB 16 passed the Senate Transportation and Housing Committee on April 28 and the Senate Governance and Finance Committee on May 6. It has been re-referred to the Committee on Appropriations.

Attachments

Attachment A: SB 16 Proposed Road Maintenance and Rehabilitation Program Estimated Allocations for the SACOG Region, as reported by CSAC and the League of California Cities
Attachment B: Text of SB 16
Attachment C: Additional Analysis of SB 16

Approved by:

Mike McKeever
Chief Executive Officer

MM:EJ:ts
Attachments

Key Staff: Erik Johnson, Manager of Policy and Administration, (916) 340-6247

[1] $0.02 of the diesel excise tax would be deposited in the Trade Corridors Improvement Fund for allocation by the California Transportation Commission for infrastructure improvements on corridors that have a high volume of freight movement.

SB 16 Proposed Road Maintenance & Rehabilitation Program Estimated Allocations

Estimated March 21, 2015	Allocation if $1.33 million		Allocation if $1.71 million	
EL DORADO COUNTY		$ 6,112,142		$ 7,858,469
PLACERVILLE	$ 213,522		$ 274,528	
SOUTH LAKE TAHOE	$ 488,563		$ 628,152	
PLACER COUNTY		$ 8,804,242		$ 11,319,740
AUBURN	$ 279,990		$ 359,987	
COLFAX	$ 40,526		$ 52,105	
LINCOLN	$ 916,925		$ 1,178,904	
LOOMIS	$ 136,770		$ 175,847	
ROCKLIN	$ 1,210,343		$ 1,556,155	
ROSEVILLE	$ 2,575,082		$ 3,310,820	
SACRAMENTO COUNTY		$ 24,909,602		$ 32,026,632
CITRUS HEIGHTS	$ 1,787,260		$ 2,297,906	
ELK GROVE	$ 3,259,278		$ 4,190,500	
FOLSOM	$ 1,501,246		$ 1,930,173	
GALT	$ 492,660		$ 633,420	
ISLETON	$ 17,119		$ 22,010	
RANCHO CORDOVA	$ 1,375,997		$ 1,769,138	
SACRAMENTO	$ 9,861,501		$ 12,679,073	
SUTTER COUNTY		$ 3,416,071		$ 4,392,092
LIVE OAK	$ 178,310		$ 229,256	
YUBA CITY	$ 1,332,144		$ 1,712,757	
YOLO COUNTY		$ 4,783,863		$ 6,150,681
DAVIS	$ 1,352,001		$ 1,738,288	
WEST SACRAMENTO	$ 1,031,120		$ 1,325,726	
WINTERS	$ 143,971		$ 185,105	
WOODLAND	$ 1,161,988		$ 1,493,984	
YUBA COUNTY		$ 2,719,128		$ 3,496,021
MARYSVILLE	$ 260,985		$ 335,552	
WHEATLAND	$ 72,168		$ 92,787	
Totals	$ 29,689,469	$ 50,745,048	$ 38,172,173	$ 65,243,635

Source: CaliforniaCityFinance.com

Attachment B

AMENDED IN SENATE APRIL 15, 2015

AMENDED IN SENATE MARCH 26, 2015

AMENDED IN SENATE MARCH 2, 2015

SENATE BILL No. 16

Introduced by Senator Beall

December 1, 2014

~~An act to add Section 14526.7 to the Government Code, relating to transportation.~~ *An act to add Sections 14526.7, 14526.8, and 16321 to the Government Code, to amend Sections 7360, 10752, and 60050 of the Revenue and Taxation Code, to add Section 2103.1 to, and to add Chapter 2 (commencing with Section 2030) to Division 3 of, the Streets and Highways Code, and to add Sections 9250.3, 9250.6, and 9400.5 to the Vehicle Code, relating to transportation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 16, as amended, Beall. ~~Department of Transportation: budgetary cost-savings plan: state highway operation and protection program.~~ *Transportation funding.*

(1) Existing law provides various of sources of funding for transportation purposes, including funding for the state highway system and the local street and road system. These funding sources include, among others, fuel excise taxes, commercial vehicle weight fees, local transactions and use taxes, and federal funds. Existing law imposes certain registration fees on vehicles, with revenues from these fees deposited in the Motor Vehicle Account and used to fund the Department of Motor Vehicles and the Department of the California Highway Patrol.

Existing law provides for the monthly transfer of excess balances in the Motor Vehicle Account to the State Highway Account.

This bill would create the Road Maintenance and Rehabilitation Program to address deferred maintenance on the state highway system and the local street and road system. The bill would provide for the program to be authorized every 5 years by the Legislature, and would provide that authorization for the 2015–16 through 2019–20 fiscal years. The bill would require the California Transportation Commission to identify the estimated funds to be available for the program and adopt performance criteria to ensure efficient use of the funds. The bill would provide for the deposit of various funds for the program in the Road Maintenance and Rehabilitation Account, which the bill would create in the State Transportation Fund, including revenues from a $0.10 per gallon increase in the motor vehicle fuel (gasoline) tax imposed by the bill and $0.10 of the $0.12 per gallon increase in the diesel fuel excise tax imposed by the bill, an increase of $35 in the annual vehicle registration fee, a new $100 annual vehicle registration fee applicable to zero-emission motor vehicles, as defined, commercial vehicle weight fees redirected over a 5-year period from debt service on general obligation transportation bonds, and repayment, over a 3-year period, of outstanding loans made in previous years from certain transportation funds to the General Fund.

The bill would continuously appropriate the funds in the account for road maintenance and rehabilitation purposes for each 5-year period in which the Legislature has authorized the program, and would, for those fiscal years, allocate 5% of available funds to counties that approve a transactions and use tax on or after July 1, 2015, with the remaining funds to be allocated 50% for maintenance of the state highway system or to the state highway operation and protection program, and 50% to cities and counties pursuant to a specified formula. The bill would impose various requirements on agencies receiving these funds.

This bill, in fiscal years in which the Road Maintenance and Rehabilitation Program is not reauthorized by the Legislature, would make inoperative the increases in the gasoline and diesel excise tax rates and the $35 increase in the vehicle registration fee imposed by the bill. The bill, in those fiscal years, would also provide for the deposit of revenues from the $100 vehicle registration fee applicable to zero-emission vehicles, and weight fee revenues, in the State Highway

Account, to be used for purposes of maintaining the state highway system or the state highway operation and protection program.

(2) The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) created the Trade Corridors Improvement Fund and provided for allocation by the California Transportation Commission of $2 billion in bond funds for infrastructure improvements on highway and rail corridors that have a high volume of freight movement, and specified categories of projects eligible to receive these funds. Existing law continues the Trade Corridors Improvement Fund in existence in order to receive revenues from sources other than the bond act for these purposes.

The bill would transfer revenues from $0.02 of the $0.12 increase in the diesel fuel excise tax to the Trade Corridors Investment Fund for expenditure on eligible projects. As with the remainder of the gasoline and diesel fuel tax increases imposed by this bill, this portion of the diesel fuel excise tax increase would be inoperative in fiscal years in which the Road Maintenance and Rehabilitation Program in (1) is not reauthorized.

(3) Existing law imposes a vehicle license fee, in lieu of property tax, on motor vehicles based on market value, at a rate of 0.65%. Pursuant to Article XI of the California Constitution, vehicle license fee revenues at the 0.65% rate are required to be allocated to cities and counties.

This bill would incrementally increase the vehicle license fee to a rate of 1%, over a 5-year period beginning July 1, 2015, with the revenues above the 0.65% rate to be deposited in the General Fund and used for transportation general obligation bond debt service.

(4) Existing law requires the Department of Transportation to prepare a state highway operation and protection program every other year for the expenditure of transportation capital improvement funds for projects that are necessary to preserve and protect the state highway system, excluding projects that add new traffic lanes. The program is required to be based on an asset management plan, as specified. Existing law requires the department to specify, for each project in the program, the capital and support budget and projected delivery date for various components of the project. Existing law provides for the California Transportation commission to review and adopt the program, and authorizes the commission to decline and adopt the program if it determines that the program is not sufficiently consistent with the asset management plan.

This bill, on and after February 1, 2017, would require the commission to make an allocation of all capital and support costs for each project in the program, and would require the department to submit a supplemental project allocation request to the commission for each project that experiences cost increases above the amounts in its allocation. the bill would require the commission to establish guidelines to provide exceptions to the requirement for a supplemental project allocation requirement that the commission determines are necessary to ensure that projects are not unnecessarily delayed.

(5) Existing law requires the Department of Transportation to prepare and submit to the Governor a proposed budget and to develop budgeting, accounting, fiscal control, and management information systems to provide budget oversight.

This bill, by April 1, 2016, would require the department to present to the California Transportation commission a plan to increase department efficiency by up to 30% over the subsequent 3 years, with the ongoing savings to result in increased capital expenditures in the state highway operation and protection program or an increase in the state highway maintenance program.

(6) This bill would declare that it is to take effect immediately as an urgency statute.

~~(1) Under existing law, the Department of Transportation is responsible for the planning, design, construction, maintenance, and operation of the state highway system. Existing law requires the department to prepare and submit to the Governor a proposed budget and to develop budgeting, accounting, fiscal control, and management information systems to provide budget oversight.~~

~~Existing law authorizes the California Transportation Commission to prepare an independent evaluation of the department's budget regarding the adequacy of funding levels and the relative needs of program categories and to submit its recommendations to the Legislature by April 1 of each year.~~

~~This bill would require the Department of Transportation, by April 1, 2016, and as part of its budget for the 2016–17 fiscal year, to prepare a plan to identify up to $200,000,000 annually in cost savings from its budget, and to submit the plan to the appropriate policy committees of the Senate and the Assembly.~~

~~(2) Existing law requires the Department of Transportation to prepare a state highway operation and protection program every other year for the expenditure of transportation capital improvement funds for projects~~

~~that are necessary to preserve and protect the state highway system, excluding projects that add new traffic lanes. The program is required to be based on an asset management plan, as specified. Existing law requires the department to specify, for each project in the program, the capital and support budget and projected delivery date for various components of the project. Existing law provides for the California Transportation Commission to review and adopt the program, and authorizes the commission to decline to adopt the program if it determines that the program is not sufficiently consistent with the asset management plan.~~

~~This bill, on and after February 1, 2016, would require the commission to make an allocation of all capital and support costs for each project in the program, and would require the department to submit a supplemental project allocation request to the commission for each project that experiences cost increases above the amounts in its allocation. The bill would require the commission to establish guidelines to provide exceptions to the requirement for a supplemental project allocation requirement that the commission determines are necessary to ensure that projects are not unnecessarily delayed.~~

Vote: ~~majority~~ $^{2}/_{3}$. Appropriation: ~~no~~ *yes*. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) Over the next ten years, the state faces a $59 billion shortfall to adequately maintain the existing state highway system, in order to keep it in a basic state of good repair.

(b) Similarly, cities and counties face a $78 billion shortfall over the next decade to adequately maintain the existing network of local streets and roads.

(c) Statewide taxes and fees dedicated to the maintenance of the system have not been increased in more than 20 years, with those revenues losing more than 55 percent of their purchasing power, while costs to maintain the system have steadily increased and much of the underlying infrastructure has aged past its expected useful life.

(d) California motorists are spending $17 billion annually in extra maintenance and car repair bills, which is more than $700 per driver, due to the state's poorly maintained roads.

(e) Failing to act now to address this growing problem means that more drastic measures will be required to maintain our system in the future, essentially passing the burden on to future generations instead of doing our job today.

(f) A five-year funding program will help address a portion of the maintenance backlog on the state's road system and will stop the growth of the problem until a longer-term solution can be created.

(g) Modestly increasing various fees can spread the cost of road repairs broadly to all users and beneficiaries of the road network without over-burdening any one group.

(h) Improving the condition of the state's road system will have a positive impact on the economy as it lowers the transportation costs of doing business, reduces congestion impacts for employees, and protects property values in the state.

(i) The federal government estimates that increased spending on infrastructure creates more than 13,000 jobs per $1 billion spent.

(j) Well-maintained roads benefit all users, not just drivers, as roads are used for all modes of transport, whether motor vehicles, transit, bicycles, or pedestrians.

(k) Well-maintained roads additionally provide significant health benefits and prevent injuries and death due to crashes caused by poorly-maintained infrastructure.

~~SECTION 1.~~

SEC. 2. Section 14526.7 is added to the Government Code, to read:

14526.7. (a) On and after February 1, ~~2016,~~ *2017,* an allocation by the commission of all capital and support costs for each project in the state highway operation and protection program shall be required.

(b) For a project that experiences increases in capital or support costs above the amounts in the commission's allocation pursuant to subdivision (a), a supplemental project allocation request shall be submitted by the department to the commission for approval.

(c) The commission shall establish guidelines to provide exceptions to the requirement of subdivision (b) that the commission determines are necessary to ensure that projects are not unnecessarily delayed.

~~SEC. 2. The Department of Transportation shall, by April 1, 2016, and as part of its budget for the 2016–17 fiscal year, prepare a plan to identify up to two hundred million dollars ($200,000,000) annually in cost savings from its budget, and shall submit the plan to the appropriate policy committees of the Senate and the Assembly.~~

SEC. 3. Section 14526.8 is added to the Government Code, to read:

14526.8. (a) On or before April 1, 2016, the department shall present to the commission a plan to increase department efficiency by up to 30 percent over the subsequent three years. The ongoing savings experienced through this increased efficiency shall result in increased capital expenditures in the department's state highway operation and protection program or an increase in the department's state highway maintenance program.

(b) The commission shall consider the reasonableness of the proposal, and may approve the entire plan or reject all or portions of the plan. The commission's feedback is intended to ensure that the department is achieving the savings in the most responsible way possible.

(c) All future state highway operation and protection program documents shall identify the increased funding available to the program as a result of the efficiencies realized due to the implementation of the plan.

SEC. 4. Section 16321 is added to the Government Code, to read:

16321. (a) Notwithstanding any other law, on or before March 1, 2016, the Department of Finance shall compute the amount of outstanding loans made from the State Highway Account, the Motor Vehicle Fuel Account, the Highway Users Tax Account, and the Motor Vehicle Account to the General Fund. The department shall prepare a loan repayment schedule, pursuant to which the outstanding loans shall be repaid to the accounts from which the loans were made, as follows:

(1) On or before June 30, 2016, 33 percent of the outstanding loan amounts.

(2) On or before June 30, 2017, 33 percent of the outstanding loan amounts.

(3) On or before June 30, 2018, 34 percent of the outstanding loan amounts.

(b) Notwithstanding any other provision of law, as the loans are repaid pursuant to this section, the repaid funds shall be transferred to the Road Maintenance and Rehabilitation Account created pursuant to Section 2031 of the Streets and Highways Code.

(c) Funds for loan repayments pursuant to this section shall be appropriated from the Budget Stabilization Account pursuant to subclause (II) of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution.

SEC. 5. Section 7360 of the Revenue and Taxation Code is amended to read:

7360. (a) (1) *(A)* A tax of eighteen cents ($0.18) is hereby imposed upon each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364.

(B) In addition to the tax imposed pursuant to subparagraph (A), a tax of ten cents ($0.10) is hereby imposed upon each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364. This subparagraph shall be inoperative in any fiscal year in which the Road Maintenance and Rehabilitation Program has not been authorized, pursuant to subdivision (b) of Section 2030 of the Streets and Highways Code.

(2) If the federal fuel tax is reduced below the rate of nine cents ($0.09) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by *subparagraph (A) of* paragraph (1), on and after the date of the reduction, shall be recalculated by an amount so that the combined state rate under *subparagraph (A) of* paragraph (1) and the federal tax rate per gallon equal twenty-seven cents ($0.27).

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be so exempt under this section.

(b) (1) On and after July 1, 2010, in addition to the tax imposed by subdivision (a), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364 in an amount equal to seventeen and three-tenths cents ($0.173) per gallon.

(2) For the 2011–12 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate in paragraph (1) in that manner as to generate an amount of revenue that will equal the amount of revenue loss attributable to the exemption provided by Section 6357.7, based on estimates made by the board, and that rate shall be effective during the state's next fiscal year.

(3) In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2012, the adjustment under paragraph (2) shall also take into account the extent to which the actual amount of revenues derived pursuant to this subdivision and, as applicable, Section 7361.1, the revenue loss attributable to the exemption provided by Section 6357.7 resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.

(4) The intent of paragraphs (2) and (3) is to ensure that the act adding this subdivision and Section 6357.7 does not produce a net revenue gain in state taxes.

SEC. 6. Section 10752 of the Revenue and Taxation Code is amended to read:

10752. (a) The annual amount of the license fee for any vehicle, other than a trailer or semitrailer, as described in subdivision (a) of Section 5014.1 of the Vehicle Code or a commercial motor vehicle described in Section 9400.1 of the Vehicle Code, or a trailer coach that is required to be moved under permit as authorized in Section 35790 of the Vehicle Code, shall be a sum equal to the following percentage of the market value of the vehicle as determined by the department:

(1) Sixty-five hundredths of 1 percent on and after January 1, 2005, and before May 19, 2009.

(2) One percent for initial and renewal registrations due on and after May 19, 2009, but before July 1, 2011.

(3) Sixty-five hundredths of 1 percent for initial and renewal registrations due on and after July 1, 2011, *but before July 1, 2015*.

(4) Seventy-two hundredths of 1 percent for initial and renewal registrations due on and after July 1, 2015, but before July 1, 2016.

(5) Seventy-nine hundredths of 1 percent for initial and renewal registrations due on and after July 1, 2016, but before July 1, 2017.

(6) Eighty-six hundredths of 1 percent for initial and renewal registrations due on and after July 1, 2017, but before July 1, 2018.

(7) Ninety-three hundredths of 1 percent for initial and renewal registrations due on and after July 1, 2018, but before July 1, 2019.

(8) One percent for initial and renewal registrations due on and after July 1, 2019.

(b) The annual amount of the license fee for any commercial vehicle as described in Section 9400.1 of the Vehicle Code, shall be a sum equal to 0.65 percent of the market value of the vehicle as determined by the department.

(c) Notwithstanding Chapter 5 (commencing with Section 11001) or any other law to the contrary, all revenues (including penalties), less refunds, attributable to that portion of the rate imposed pursuant to this section in excess of 0.65 percent shall be deposited into the General Fund *and shall be used for debt service on transportation general obligation bonds*.

SEC. 7. Section 60050 of the Revenue and Taxation Code is amended to read:

60050. (a) (1) A tax of eighteen cents ($0.18) is hereby imposed upon each gallon of diesel fuel subject to the tax in Sections 60051, 60052, and 60058.

(2) If the federal fuel tax is reduced below the rate of fifteen cents ($0.15) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1), including any reduction or adjustment pursuant to subdivision (b), on and after the date of the reduction, shall be increased by an amount so that the combined state rate under paragraph (1) and the federal tax rate per gallon equal what it would have been in the absence of the federal reduction.

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be exempt under this section.

(b) (1) On July 1, 2011, the tax rate specified in paragraph (1) of subdivision (a) shall be reduced to thirteen cents ($0.13) and every July 1 thereafter shall be adjusted pursuant to paragraphs (2) and (3).

(2) For the 2012–13 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate reduction in paragraph (1) in that manner as to result in a revenue loss attributable to paragraph (1) that will equal the amount of revenue

gain attributable to Sections 6051.8 and 6201.8, based on estimates made by the board, and that rate shall be effective during the state's next fiscal year.

(3) In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2013, the adjustment under paragraph (2) shall take into account the extent to which the actual amount of revenues derived pursuant to Sections 6051.8 and 6201.8 and the revenue loss attributable to this subdivision resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.

(4) The intent of paragraphs (2) and (3) is to ensure that the act adding this subdivision and Sections 6051.8 and 6201.8 does not produce a net revenue gain in state taxes.

(c) In addition to the tax imposed pursuant to subdivisions (a) and (b), an additional tax of twelve cents ($0.12) is hereby imposed upon each gallon of diesel fuel subject to the tax in Sections 60051, 60052, and 60058. This subdivision shall be inoperative in any fiscal year in which the Road Maintenance and Rehabilitation Program has not been authorized, pursuant to subdivision (b) of Section 2030 of the Streets and Highways Code.

SEC. 8. Chapter 2 (commencing with Section 2030) is added to Division 3 of the Streets and Highways Code, to read:

Chapter 2. Road Maintenance and Rehabilitation Program

2030. (a) The Road Maintenance and Rehabilitation Program is hereby created to address deferred maintenance on the state highway system and the local street and road system. Funds made available by the program shall be prioritized for expenditure on basic road maintenance and road rehabilitation projects, and on critical safety projects. The program shall be subject to reauthorization every five years by the Legislature. The California Transportation Commission shall identify the estimated funds to be available pursuant to this chapter for the program during any authorized five-year period, and shall adopt performance criteria to ensure efficient use of the funds.

(b) The Legislature hereby authorizes the program for the 2015–16 to 2019–20 fiscal years, inclusive.

(c) If the Legislature does not reauthorize the program beyond the 2019–20 fiscal year, the increases in excise tax rates for motor vehicle fuel and diesel fuel associated with the revenues referenced in subdivision (a) of Section 2031, and the increase in the vehicle registration fee referenced in Section 9250.3 of the Vehicle Code, shall terminate at the end of the 2019–20 fiscal year.

2031. The following revenues shall be deposited in the Road Maintenance and Rehabilitation Account, which is hereby created in the State Transportation Fund:

(a) The revenues from the increase in the motor vehicle fuel excise tax by ten cents ($0.10) per gallon and the revenues from ten cents ($0.10) per gallon of the increase in the diesel fuel excise tax by twelve cents ($0.12) per gallon, as provided in Section 2103.1.

(b) The revenues from the increase in the vehicle registration fee pursuant to Section 9250.3 of the Vehicle Code.

(c) The revenues from the increase in the vehicle registration fee pursuant to Section 9250.6 of the Vehicle Code, except as provided in paragraph (2) of subdivision (b) of that section.

(d) The revenues from vehicle weight fees redirected from transportation bond debt service to the State Highway Account, pursuant to the schedule set forth in subdivision (a) of Section 9400.5 of the Vehicle Code.

(e) The revenues from repayment of loans made from the State Highway Account, the Motor Vehicle Fuel Account, the Highway Users Tax Account, and the Motor Vehicle Account to the General Fund, pursuant to the schedule set forth in Section 16321 of the Government Code.

(f) Any other revenues designated for the program.

2032. (a) Five percent of the revenues deposited in the Road Maintenance and Rehabilitation Account for the period of fiscal years specified in subdivision (b) of Section 2030 shall be set aside for counties in which voters approve, on or after July 1, 2015, a transactions and use tax for transportation purposes, and which counties did not, prior to that approval, impose a transactions and use tax for those purposes. The funds available under this subdivision in each fiscal year are hereby continuously appropriated for allocation to each eligible county and each city in the county for road maintenance and rehabilitation purposes pursuant to Section 2035. However, funds remaining unallocated *under this subdivision in any fiscal year shall be reallocated on the last day of the fiscal year pursuant to subdivision (b).*

(b) The remaining revenues deposited in the Road Maintenance and Rehabilitation Account for the period of fiscal years specified in subdivision (b) of Section 2030, including the revenues reallocated for the purposes of this subdivision pursuant to subdivision (a), are hereby continuously appropriated for road maintenance and rehabilitation purposes under the program, as follows:

(1) Fifty percent for allocation to the department for maintenance of the state highway system or for purposes of the state highway operation and protection program.

(2) Fifty percent for apportionment to cities and counties by the Controller pursuant to the formula in subparagraph (C) of paragraph (3) of subdivision (a) of Section 2103 for the purposes authorized by this chapter, subject to subdivision (d) of Section 2033 and paragraph (2) of subdivision (a) of Section 2034.

2033. (a) The commission shall annually evaluate each agency receiving funds pursuant to this chapter.

(b) For each fiscal year in which the department receives an allocation of funds pursuant to Section 2032, the department shall submit documentation to the commission that includes a description and the location of each completed project, the amount of funds expended on the project, the completion date, and the project's estimated useful life. The commission shall evaluate the documentation to determine the effectiveness of the department in reducing deferred maintenance and improving road conditions on the state highway system, and may withhold future funding from the department if it determines that program funds have not been appropriately spent.

(c) For each fiscal year in which an agency receives an apportionment of funds pursuant to subdivision (a) or paragraph (2) of subdivision (b) of Section 2032, the commission shall evaluate the documentation submitted pursuant to subdivision (b) of Section 2034 to determine the effectiveness of the agency in reducing deferred maintenance and improving road conditions within its jurisdiction.

(d) If the commission determines, with respect to any given fiscal year, that a local agency has not appropriately spent its apportionment of funds, the commission shall direct the Controller

to make that agency ineligible to receive an apportionment during the next fiscal year. The Controller shall reapportion that agency's share of funds to all other eligible local agencies pursuant to paragraph (2) of subdivision (b) of Section 2032.

(e) The commission shall include a discussion of its evaluations pursuant to this section in its annual report to the Legislature pursuant to Section 14535 of the Government Code.

2034. (a) (1) Prior to receiving an apportionment of funds under the program pursuant to paragraph (2) of subdivision (b) of Section 2032 from the Controller in a fiscal year, an eligible local agency shall submit to the commission a list of projects proposed to be funded with these funds pursuant to an adopted city, county, or city and county budget. All projects proposed to receive funding shall be included in a city, county, or city and county budget that is adopted by the applicable city council or board of supervisors at a regular public meeting. The list of projects proposed to be funded with these funds shall include a description and the location of each proposed project, a proposed schedule for the project's completion, and the estimated useful life of the improvement. The project list shall not limit the flexibility of an eligible local agency to fund projects in accordance with local needs and priorities so long as the projects are consistent with subdivision (d).

(2) The commission shall report to the Controller the local agencies that have submitted a list of projects as described in this subdivision and that are therefore eligible to receive an apportionment of funds under the program for the applicable fiscal year. The Controller, upon receipt of the report, shall apportion funds to eligible local agencies.

(b) For each fiscal year, each local agency receiving an apportionment of funds shall, upon expending program funds, submit documentation to the commission that includes a description and location of each completed project, the amount of funds expended on the project, the completion date, and the project's estimated useful life. The documentation shall also include a comparison of the projects the local agency would have completed without receiving funds under the program compared with the projects completed with these funds.

(c) The documentation provided pursuant to subdivision (b) shall be forwarded by the commission to the department, in a

manner and form approved by the department, at the end of each fiscal year as long as program funds remain available for expenditure. The department may post the information contained in the documentation on its Internet Web site.

(d) Funds made available to a local agency under the program shall be used for improvements to transportation facilities that will assist in reducing further deterioration of the existing road system. These improvements may include, but need not be limited to, pavement maintenance, rehabilitation, installation, construction, and reconstruction of necessary associated facilities such as drainage and traffic control devices, or safety projects to reduce fatalities. Funds made available under the program may also be used to satisfy the local match requirement in order to obtain state or federal transportation funds for similar purposes.

2035. (a) On or before July 1, 2016, the commission, in cooperation with the department, transportation planning agencies, county transportation commissions, and other local agencies, shall develop guidelines for the allocation of funds pursuant to subdivision (a) of Section 2032.

(b) The guidelines shall be the complete and full statement of the policy, standards, and criteria that the commission intends to use to determine how these funds will be allocated.

(c) The commission may amend the adopted guidelines after conducting at least one public hearing.

2036. (a) Cities and counties shall maintain their existing commitment of local funds for street, road, and highway purposes in order to remain eligible for an allocation or apportionment of funds pursuant to Section 2032.

(b) In order to receive an allocation or apportionment pursuant to Section 2032, the city or county shall 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 the 2009–10, 2010–11, and 2011–12 fiscal years, as reported to the Controller pursuant to Section 2151. For purposes of this subdivision, in calculating a city's or county's annual general fund expenditures and its average general fund expenditures for the 2009–10, 2010–11, and 2011–12 fiscal years, any unrestricted funds that the city or county may expend at its discretion, including vehicle in-lieu tax revenues and revenues from fines and forfeitures, expended for street, road, and highway

purposes shall be considered expenditures from the general fund. One-time allocations that have been 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 (Chapter 6.6 (commencing with Section 54773) of Part 1 of Division 2 of Title 5 of the Government Code), may not be considered when calculating a city's or county's annual general fund expenditures.

(c) For any city incorporated after July 1, 2009, the Controller shall calculate an annual average of expenditure for the period between July 1, 2009 , and December 31, 2015, inclusive, that the city was incorporated.

(d) For purposes of subdivision (b), the Controller may request fiscal data from cities and counties in addition to data provided pursuant to Section 2151, for the 2009–10, 2010–11, and 2011–12 fiscal years. Each city and county shall furnish the data to the Controller not later than 120 days after receiving the request. The Controller may withhold payment to cities and counties that do not comply with the request for information or that provide incomplete data.

(e) The Controller may perform audits to ensure compliance with subdivision (b) when deemed necessary. Any city or county that has not complied with subdivision (b) shall reimburse the state for the funds it received during that fiscal year. Any funds withheld or returned as a result of a failure to comply with subdivision (b) shall be reapportioned to the other counties and cities whose expenditures are in compliance.

(f) If a city or county fails to comply with the requirements of subdivision (b) in a particular fiscal year, the city or county may expend during that fiscal year and the following fiscal year a total amount that is not less than the total amount required to be expended for those fiscal years for purposes of complying with subdivision (b).

SEC. 9. Section 2103.1 is added to the Streets and Highways Code, to read:

2103.1. Notwithstanding subdivision (b) of Section 2103, the portion of the revenues in the Highway Users Tax Account attributable to the increase in the tax rate on motor vehicle fuel by ten cents ($0.10) per gallon pursuant to subdivision (a) of Section 7360 of the Revenue and Taxation Code and the increase *in the tax rate by twelve cents ($0.12) per gallon on diesel fuel pursuant to subdivision (c) of Section 60050 of the Revenue and Taxation Code, as amended by the act adding this section, shall be deposited in the Road Maintenance and Rehabilitation Account created pursuant to Section 2031, except that the portion of the revenues attributable to two cents ($0.02) of the increase in the tax rate on diesel fuel shall be deposited in the Trade Corridors Improvement Fund for expenditure pursuant to Section 2192.*

SEC. 10. Section 9250.3 is added to the Vehicle Code, to read:

9250.3. (a) In addition to any other fees specified in this code or the Revenue and Taxation Code, a registration fee of thirty-five dollars ($35) shall be paid to the department for registration or renewal of registration of every vehicle subject to registration under this code, except those vehicles that are expressly exempted under this code from payment of registration fees.

(b) (1) For any year in which the Road Maintenance and Rehabilitation Program is authorized pursuant to subdivision (b) of Section 2030 of the Streets and Highways Code, revenues from the fee shall be deposited in the Road Maintenance and Rehabilitation Account created pursuant to Section 2031 of the Streets and Highways Code.

(2) For any year in which the Legislature does not reauthorize the Road Maintenance and Rehabilitation Program, this section shall be inoperative.

SEC. 11. Section 9250.6 is added to the Vehicle Code, to read:

9250.6. (a) In addition to any other fees specified in this code or in the Revenue and Taxation Code, a registration fee of one hundred dollars ($100) shall be paid to the department for registration or renewal of registration of every zero-emission motor vehicle subject to registration under this code, except those motor vehicles that are expressly exempted under this code from payment of registration fees.

(b) (1) For any year in which the Road Maintenance and Rehabilitation Program is authorized pursuant to subdivision (b) of Section 2030 of the Streets and Highways Code, revenues from the fee shall be deposited in the Road Maintenance and Rehabilitation Account created pursuant to Section 2031 of the Streets and Highways Code.

(2) For any year in which the Legislature does not reauthorize the Road Maintenance and Rehabilitation Program, revenues from

the fee shall be deposited in the State Highway Account to be used for purposes of maintaining the state highway system or the state highway operation and protection program.

(c) This section does not apply to a commercial motor vehicle subject to Section 9400.1.

(d) For purposes of this section, "zero-emission motor vehicle" means a motor vehicle as described in subdivisions (c) and (d) of Section 44258 of the Health and Safety Code, or any other motor vehicle that is able to operate on any fuel other than gasoline or diesel fuel.

SEC. 12. Section 9400.5 is added to the Vehicle Code, to read:

9400.5. (a) Notwithstanding Sections 9400.1, 9400.4, and 42205 of this code, Sections 16773 and 16965 of the Government Code, Section 2103 of the Streets and Highways Code, or any other law, the amount of weight fee revenues otherwise to be transferred from the State Highway Account to the Transportation Debt Service Fund, the Transportation Bond Direct Payment Account, or any other fund or account for the purpose of payment of the debt service on transportation general obligation bonds, or for the purpose of being loaned to the General Fund, shall be reduced pursuant to the following schedule, with the applicable revenues thereby retained in the State Highway Account to be transferred to the Road Maintenance and Rehabilitation Account created pursuant to Section 2031 of the Streets and Highways Code:

(1) For the 2015–16 fiscal year, by 20 percent.

(2) For the 2016–17 fiscal year, by 40 percent.

(3) For the 2017–18 fiscal year, by 60 percent.

(4) For the 2018–19 fiscal year, by 80 percent.

(5) For the 2019–20 fiscal year and in each subsequent fiscal year thereafter, by 100 percent.

(b) For any year in which the Legislature does not reauthorize the Road Maintenance and Rehabilitation Program, pursuant to subdivision (b) of Section 2030 of the Streets and Highways Code, the revenues described in subdivision (a) shall be retained in the State Highway Account to be used for purposes of maintaining the state highway system or the state highway operation and protection program.

SEC. 13. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within *the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:*

In order to provide additional funding for road maintenance and rehabilitation purposes as quickly as possible, it is necessary for this act to take effect immediately.

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Additional Analysis of SB 16

The state has raided transportation funds before. How does SB 16 protect against that?

The taxes on fuel proposed in SB 16 would be protected by Article XIX of the California Constitution. Article XIX protects transportation funding in several ways, which are discussed in the next section. Additionally, SB 16 requires several specific actions to redirect two specific sources of revenue to road maintenance.

1. SB 16 requires all existing transportation-related loans to be repaid within three years of passage.

2. SB 16 also returns truck weight fees to transportation; they have been used to pay debt service on state general obligation bonds for transportation. This is legal under Article XIX, because commercial vehicle weight fees are not covered by Article XIX. This is also consistent with Proposition 2 of 2014, which amended the California Constitution to require a minimum annual repayment of debts.

The vehicle registration fees proposed in SB 16 are not protected by Article XIX, but the Legislation is written with a provision that requires the program be funded annually in order for the fuel taxes and $35 vehicle registration fee to be imposed.

The vehicle license fee increase proposed in SB 16 is not protected by Article XIX, but it would not be used for transportation purposes directly, so the protection is not needed. The cumulative 1% annual increase in the vehicle license fee is proposed to backfill the bond debt service on general obligation bonds for transportation, so it would be a General Fund use.

What are the existing Constitutional protections for transportation funds?

Article XIX of the California State Constitution restricts the use of state taxes on fuel to:

- plan, construct, maintain, and operate public streets and highways; and

- plan, construct, and maintain mass transit tracks and related fixed facilities (such as stations).

The gasoline tax revenues cannot be used to operate or maintain mass transit systems or to purchase or maintain rolling stock (trains, buses, or ferries).

Over time, Article XIX has been amended to add additional protections.

In 1998, voters passed Proposition 2, which limits state General Fund borrowing of state transportation funds, including gas tax revenues and funds in the Public Transportation Account. Loans to the General Fund must be repaid within that fiscal year, except in a fiscal emergency, and then they must be repaid in full within three fiscal years.

In 2006, voters passed Proposition 1A, which further restricts the borrowing of the gas sales tax to twice in a ten-year period, but requires full repayment of the first loan before a second can be taken, and also requires repayment within three fiscal years.

In 2010, voters passed Proposition 22, which repealed the borrowing provisions of Propositions 2 and 1A. It also embedded in the Constitution specific transportation funding formulas, which can only be changed after a California Transportation Commission public process and a two-thirds vote of each house of the legislature. Finally, it precluded the Legislature from directing gas excise tax funds for bond repayment.

Also in 2010, voters passed Proposition 26, which requires a two-thirds vote of both houses for any change in statute after 2009 that results in any taxpayer paying a higher tax. In 2011, the Legislature re-enacted the gas tax swap of 2010 to comply with this.

Article XI of the California Constitution requires that all of the current revenue from the vehicle license fee be allocated to cities and counties. Certain portions are dedicated to health and social services as well as public safety.

A Constitutional Amendment introduced this year, Senate Constitutional Amendment 7 (Huff) would prohibit the legislature from borrowing revenues from fees and taxes imposed on vehicles or their use or operation, and would further restrict the use of those revenues for repaying bonds or other indebtedness. SCA 7 would also require the vehicle license fee revenues above 0.65% be dedicated to streets and highways. SCA 7 is pending before the Senate Transportation and Housing Committee and the Elections and Constitutional Amendments Committee.

What are the costs to users of the transportation system proposed by SB 16?

According to the Senate Transportation and Housing Committee, for an average driver, using a typical vehicle value, average fuel efficiency, and driving 12,000 miles per year, the extra fees and taxes will result in direct cost increases of about $180/year or $0.50/day. Individuals with more expensive cars or who use more gas or diesel will pay more. By way of comparison, the slump in gasoline prices from their high of $4.25 in the middle of 2014 to about $3.00 per gallon in April will reduce gas costs for the average driver by over $600/year if prices stay at current levels.

A mere five-year delay will increase the backlog of the local system by $11 billion, and it would take an additional 10 cent increase in the gas tax just to make up the ground lost by not funding additional road maintenance.

What is the current state of need for road maintenance?

The 2014 California Local Streets and Roads Needs Assessment rated the state's pavement condition at 66, and identified a $78.3 billion funding shortfall over the next ten years to bring the local system up to best management practices. This is in addition to the $59 billion shortfall identified in the 2014 State Highway Operation and Protection Program.

Without this additional funding, in 10 years the overall pavement condition will drop to 55, and 25% of local streets and roads will be in failed condition.

While $3.5 billion a year is a significant amount of funding, SB 16 would only raise enough money to maintain roads in the at-risk condition. Bringing all roads to a pavement condition index of 84 would cost $7.3 billion a year. Pavements in good condition would increase from 57% to 77%. Prioritizing roads would mean that the number of pavements in failed conditions would still increase, from 6% to 20%.

What is currently being spent on road maintenance?

Local, state, and federal sources for pavement currently provide $1.66 billion in funding. The share provided by local governments has grown each year, but the largest source, 50%, comes from the state. Only about 10% of funds come from the federal government.

What is the need in the SACOG region?

According to data reported by local public works departments, the SACOG region faces a 10-year need of $5.8 billion for maintaining local streets and roads.

What are the cost differences in repairing roads early on versus waiting?

Maintaining a road in good condition costs $2-4 a square yard. When condition drops to at risk, which is the average condition for roads in the SACOG region, costs increase to $15-20/square yard. In poor condition, costs increase to $30-40/square yard. A road in failed condition, which must be replaced, costs $70-100/square yard. Therefore, every point increase on the pavement condition index means more than just a 1% increase in savings—and likewise, each drop in pavement condition is much more costly.

What Caltrans reforms are being proposed?

This bill, by April 1, 2016, would require Caltrans to present to the California Transportation Commission a plan to increase department efficiency by up to 30% over the subsequent 3 years, with the ongoing savings to result in increased capital expenditures in the State Highway Operation and Protection Program (SHOPP) or an increase in the state highway maintenance program.

The Commission shall consider the reasonableness of the proposal, and may approve the entire plan or reject all or portions of the plan. The commission's feedback is intended to ensure that Caltrans is achieving the savings in the most responsible way possible.

This is a response to an independent review of Caltrans released in January 2014, performed by State Smart Transportation Initiative that made a long list of recommendations that will take time to implement. The oversight is being led by the California State Transportation Agency, which assumed authority over Caltrans in July 2013.

Additionally, the California Transportation Infrastructure Priorities Workgroup was formed in 2013 to set a long-term vision for the state. CEO Mike McKeever is a member of the workgroup. In February 2014, it issued an interim report.

In response to these reports, in June 2014, Caltrans and the California State Transportation Agency began the Caltrans Improvement Project, which is proposing how to reform Caltrans. In some areas, Legislation such as SB 16 is required to implement changes.