



SACOG Board of Directors

February 11, 2016

State Advocacy Update

Governor's Budget

Last year, the Governor called a special session to fix the shortfall and volatility in transportation funding and provide additional funding for road rehabilitation, but the Legislature failed to pass a proposal. However, the Governor started the year by including in his 2016-17 budget his proposal to raise \$3.6 billion in new revenues for transportation. A summary of the Governor's budget proposal is below.

Transportation funding proposal

The Governor reintroduced a \$3.6 billion expenditure plan, which is the same as his September 2015 proposal. See attachment for comparison with special session proposals from last year. The Governor's Budget assumes that the Legislature will pass his proposal, therefore resulting in new revenues starting in July. Should the Legislature not pass his proposal, transportation funding will decline, but by how much is subject to the volatility of the gas excise tax (see STIP Revision below).

Caltrans efficiencies

A major policy issue looming over the transportation funding discussion is whether savings can be obtained from increased efficiencies at Caltrans. The Governor in his budget proposed four specific efforts to improve efficiency at Caltrans:

- State Highway Performance Plan — Establish measurable targets for improvement including regular reporting to California Transportation Commission, the Legislature, and the public.
- Streamlined Project Delivery — Provide a limited CEQA exemption; remove the sunset date for the federal delegation of environmental reviews so they can be completed concurrent with the state review; advance project environmental mitigation to get early buy-in on activities and reduce late challenges that delay projects; and implement more innovative procurement methods, such as combining design and construction management elements to accelerate project delivery (i.e., Construction Manager/General Contractor procurements).
- Staffing Flexibility — Permit Caltrans to deliver projects funded with new revenue by doubling contract staff over the next five years.
- Extend Public-Private Partnership Authority — Allow for these partnerships through 2027 by extending the current sunset date by ten years.

Cap and Trade funding (only transportation-related highlighted below):

Last year, the Legislature did not appropriate the 40 percent of cap-and-trade revenues that are not subject to continuous appropriation. The Governor proposes several one-time appropriations as part of the 2016-17 budget in the area of transportation (there are non-transportation issues funded elsewhere in his budget). The table below shows the proposed amounts in comparison to the enacted budgets for the past two years.

	2014-15	2015-16	Draft 2016-17
Affordable Housing and Sustainable Communities	\$130 million	\$400 million	\$400 million
Transit/Intercity Rail Capital	\$25 million	\$265 million	\$200 million (continuous appropriation) + \$400 million (one-time appropriation)
High-Speed Rail	\$250 million	\$500 million	\$500 million
Low Carbon Transit Operations	\$25 million	\$100 million	\$100 million
Low Carbon Transportation Programs (ARB)	\$200 million	\$350 million	\$500 million (one-time appropriation)
Low Carbon Road Program ¹			\$100 million (one-time appropriation)
Transformational Climate Communities Program ²			\$100 million (one-time appropriation)
Total	\$850 million	\$1.6 million	\$2.3 million

2016 Legislative Issues

The Legislature has until February 19 to introduce new bills, so staff will be back with a more complete legislative tracking report after that date.

Transportation Funding

Transportation funding remains a top priority for the Administration and key legislators. In addition to the Governor's proposal, Assembly Member Frazier has introduced a \$7.8 billion proposal. Senator Beall's \$3.9 billion proposal from last year has not been updated. A comparison of the proposals from last fall is attached.

Summary of AB 1591 (Frazier) Transportation Funding

- Road Maintenance & Rehabilitation Fund: Adds 22.5 cents on gas and a \$38 registration fee (\$165: zero emission vehicles). Funds split between SHOPP and Local Streets; 5% for counties passing new local sales tax measures).
- Freight Program. Adds 30 cent tax on diesel fuel and 20% of cap and trade revenues (ongoing) to the Trade Corridors Improvement Fund.
- State Highway Account. Restores weight fees to state highway account, including the STIP.
- Price Based Excise Tax. Eliminates Fuel Tax Swap; restores tax to 18 cents.
- Inflation. Adjusts all fuel taxes for inflation every three years; all increase remain with the fund (as opposed to being transferred to the Road Maintenance & Rehabilitation Fund).
- Intercity Rail. Doubles to 20% of cap and trade proceeds.
- Loan Repayments. \$879 million.
- CTC allocation for of SHOPP projects required.

¹ Will prioritize disadvantaged communities, and provide competitive grants for improvements to local streets and roads that encourage active transportation, such as walking and bicycling, transit, and other carbon-reducing road investments.

² Strategic Growth Council to administer the Transformational Climate Communities Program to support local climate actions in the state's top 5 percent of disadvantaged communities. Funding will support projects that integrate multiple, cross-cutting approaches to reduce GHG emissions.

STIP Revision

On January 22, the California Transportation Commission announced it is rescinding \$754 million in funding already awarded to transportation agencies. This includes some funding awarded as part of SACOG's 2014 regional funding round. SACOG staff is working to identify options for the board to move projects to outer years to reduce the impact. SACOG staff will work through the Transportation Committee, and then the full Board, in February and March. The reason for the reduction in funding is that the gasoline excise tax dropped from 18 to 12 cents per gallon in July 2015 as a result of gas prices falling. The excise tax is anticipated to drop another 2 cents this spring due to the continued drop in gas prices. While lower gas prices is good news for consumers, the Legislature's gas tax swap enacted in 2010 made an underfunded source of revenue volatile, which makes it nearly impossible for transportation agencies to plan on how much funding they will receive.

The League of California Cities, CSAC, and other transportation stakeholders have been calling on the Legislature to restructure the gas excise tax to be more stable. Some of the new revenue proposals introduced being discussed at the Capitol would also index the tax to inflation, thus providing more certainty and gradual increases as overall consumer prices increase.

State Transit Assistance (STA) Funding Down

In addition to the downturn in funding for capital projects for roads and highways, transit is also facing a cut in funding due to declining gas prices. The Governor's proposed budget projects a decrease from \$351.5 million to \$299.4 million for the current year STA program. This is due to a revised projection in diesel prices in December. However, it does not reflect the additional reductions in price since January 1. SACOG transit staff is bringing an update on STA funding as a separate item to this committee.

Road Charge Pilot Project

In January, the California Road Charge Technical Advisory Committee (TAC) released its final recommendations for the design of a statewide pilot study of road charging as an alternative method of collecting revenue for transportation. The TAC was staffed by the California Transportation Commission and spent the last year holding public meetings throughout the state and providing rigorous study of the issues with a mileage-based fee.

Some of the TAC's key recommendations for the pilot program include:

- Offering drivers a choice in mileage recording methods,
- Protecting drivers' privacy and personal information through third-party validated protocols,
- Determining the impacts of a road charge on drivers of various income levels,
- Determining the impacts of a road charge on urban and rural drivers,
- Seeking participation from at least 5,000 vehicles that represent the geographic, demographic and socioeconomic diversity of California, and
- Costing drivers nothing to participate.

The California State Transportation Agency is administering a pilot project this summer using 5,000 volunteer drivers. Volunteer drivers will be able to choose from one of several mileage reporting methods that California will be testing. Volunteering is free and no actual money will be exchanged. Participants will have the choice of submitting mock payments via mail or a secure website for testing purposes. For more information visit: www.CaliforniaRoadChargePilot.com.

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Attachment

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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.