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 & Public Affairs Committee recommends that the Board support SB 16 if amended to add protections to ensure that the funds collected would only be available for road maintenance and rehabilitation. The committee also recommends supporting extension of the sunset date from 5 to 10 years.

**Committee Action/Discussion:**
The Government Relations & Public Affairs Committee voted (5 yes, 0 no, 2 abstain) to recommend support for SB 16 if amended to add protections to ensure that the funds collected would only be available for road rehabilitation and maintenance. The committee also recommends supporting extension of the sunset date for the Road Maintenance and Rehabilitation Program from 5 to 10 years.

Committee members understood the need for additional funding for road maintenance and rehabilitation projects for cities and counties, but there were concerns that the funds might not be protected from future borrowing by the state for other purposes. SB 16 contains some protections for the funds to be used only for the intended purposes, but the committee recommended that staff make SACOG’s support conditional on additional protections being added either to SB 16 or through separate legislation or constitutional amendment. If the board accepts the committee’s recommendation, staff will advocate for such protections and will report back to the board.

As SB 16 moves forward, and consistent with SACOG’s Advocacy Procedures, staff will consult with the Board Chair and Government Relations & Public Affairs Committee Chair if there are legislative developments that require an urgent decision beyond the authority given to staff.

Committee members also expressed interest in extending the length of SB 16 from 5 to 10 years and emphasizing the importance of the accountability provisions within SB 16.

The committee heard from Jim Earp, Executive Consultant, California Alliance for Jobs, on the public opinion research his organization has done on this subject. A summary of that research is attached. Kiana Buss, Legislative Representative, California State Association of Counties, also presented on the local government perspective on SB 16. A copy of estimated revenues for Sacramento region cities and counties is attached.

Previously, in May, the Government Relations & Public Affairs Committee voted to recommend support for SB 16, with three in favor of supporting SB 16 and 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 of increased taxes on consumers and businesses; and 3) what specific Caltrans reforms would result from this bill. Mr. Earp also presented briefly to the board at its May meeting, but the board was interested in a more extensive committee-level discussion of SB 16 prior to board action and so referred this item back to the committee.

Overview of SB 16

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 (RMRP), 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 below shows the current transportation taxes and fees, and what the proposed addition would be for each type. SB 16 would require repayment to the RFMP of $1 billion in loans from transportation accounts to the General Fund over three years. Weight fees, which have been used to pay off transportation-related general obligation bonds, also would be redirected to RMRP. SB 16 would 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

<table>
<thead>
<tr>
<th>Current</th>
<th>Proposed increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline excise tax (per gallon)</td>
<td>$0.36</td>
</tr>
<tr>
<td>Diesel excise tax (per gallon)</td>
<td>$0.11</td>
</tr>
<tr>
<td>Diesel sales tax (per gallon)</td>
<td>$0.27</td>
</tr>
<tr>
<td>Vehicle license fee (annual) (0.65% of market value)</td>
<td>0.07% annually over five years</td>
</tr>
<tr>
<td>Vehicle registration fee (annual)</td>
<td>$43</td>
</tr>
<tr>
<td>Weight fees for commercial vehicles (annual)</td>
<td>Up to $2,271</td>
</tr>
<tr>
<td>Zero emission vehicle license fee (annual)</td>
<td>-</td>
</tr>
</tbody>
</table>

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.
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, and 3) supporting new ways to fund transportation needs.

SB 16 passed the Senate Committee on Appropriations on May 28, and is pending before the full Senate.

Changes since May committee meeting

Since the May committee meeting, SB 16 has been amended to include one-time floor stock taxes set at the same rate as the gasoline and diesel excise taxes. The most recent version of SB 16 is attached. A floor stock tax is a way to ensure that existing fuels held in inventory prior to a tax increase taking effect are taxed at the same rate as new fuels after the tax takes effect. Having a large fuel inventory before a tax rate increase takes effect can bring about a small windfall to a seller. When the state enacted the fuel tax swap in 2010, they also used a one-time floor stock tax.

Since the May committee meeting, staff also prepared additional analysis based on the questions raised by committee members. That information, which was included in the May board item, is attached.

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
Attachment D: Fix-it-First Needs in the SACOG Region
Attachment E: Allocation of State Transportation Project Funding
Attachment F: California Alliance for Jobs Public Opinion Report
Attachment G: List of Organizations In Support/Opposition

Approved by:

Mike McKeever
Chief Executive Officer

KET:EJ:ts

Key Staff: Erik Johnson, Manager of Policy and Administration, (916) 340-6247
## Proposed New Local Streets & Roads Funding Under SB16’s Five Year Program

### Sacramento Area Council of Governments Cities and Counties

<table>
<thead>
<tr>
<th>County</th>
<th>First Year $1.33 billion</th>
<th>Second Year $1.42 billion</th>
<th>Third Year $1.52 billion</th>
<th>Fourth Year $1.61 billion</th>
<th>Fifth Year $1.71 billion</th>
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<td><strong>EL DORADO COUNTY</strong></td>
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<td>6,548,724</td>
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<td>558,358</td>
<td>593,255</td>
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<td>Elk Grove</td>
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<td>Galt</td>
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<td>1,410,985</td>
<td>1,493,984</td>
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<td><strong>YUBA COUNTY</strong></td>
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<td>3,301,796</td>
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<td>$33,930,822</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>over 5 yrs = $459,625,818</td>
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County #s from CSAC

*CaliforniaCityFinance.com*
An act to add Sections 14526.7, 14526.8, and 16321 to the Government Code, to amend Sections 7360, 10752, and 60050 of, and to add Sections 7361.2, 7653.2, 60050.2, and 60201.4 to, 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. Transportation funding.

(1) Existing law provides various 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, a $0.10 per gallon storage tax on motor vehicle fuel and $0.10 of a $0.12 per gallon storage tax on diesel fuel 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 and revenues attributable to $0.02 of the $0.12 per gallon storage tax on diesel fuel to the Trade Corridors Improvement Fund for expenditure on eligible projects. As with the remainder of the gasoline and diesel fuel tax increases imposed by this bill, this $0.02 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.


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 10 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 overburdening 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.

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

14526.7. (a) On and after February 1, 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. 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), on and after the 61st date after the effective date of the act amending this section, 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 7361.2 is added to the Revenue and Taxation Code, to read:

7361.2. (a) For the privilege of storing, for the purpose of sale, each supplier, wholesaler, and retailer owning 1,000 or more gallons of tax-paid motor vehicle fuel on the 61st date after the effective date of the act adding this section shall pay a storage tax of ten cents ($0.10) per gallon of tax-paid motor vehicle fuel in storage according to the volumetric measure thereof.

(b) For purposes of this section:

(1) “Owning” means having title to the motor vehicle fuel.

(2) “Retailer” means any person who sells motor vehicle fuel in this state to a person who subsequently uses the motor vehicle fuel.

(3) “Storing” includes the ownership or possession of tax-paid motor vehicle fuel outside of the bulk transfer/terminal system, including the holding of tax-paid motor vehicle fuel for sale at wholesale or retail locations stored in a container of any kind, including railroad tank cars and trucks or trailer cargo tanks. “Storing” also includes tax-paid motor vehicle fuel purchased from and invoiced by the seller, and tax-paid motor vehicle fuel removed from a terminal or entered into by a supplier, prior to the date specified in subdivision (a) and in transit on that date.

(4) “Wholesaler” means any person who sells motor vehicle fuel in this state for resale to a retailer or to a person who is not a retailer and subsequently uses the motor vehicle fuel.

SEC. 7. Section 7653.2 is added to the Revenue and Taxation Code, to read:

7653.2. On or before the 121st date after the effective date of the act adding this section, each person subject to the storage tax
imposed under Section 7361.2 shall prepare and file with the board, in a form prescribed by the board, a return showing the total number of gallons of tax-paid motor vehicle fuel owned by the person on the 61st date after the effective date of the act adding this section, the amount of the storage tax, and any other information that the board deems necessary for the proper administration of this part. The return shall be accompanied by a remittance payable to the Controller in the amount of tax due.

SEC. 6.

SEC. 8. 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:

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.

SEC. 9. 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), on and after the 61st date after the effective date of the act amending this section, 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. 10. Section 60050.2 is added to the Revenue and Taxation Code, to read:

60050.2. (a) For the privilege of storing, for the purpose of sale, each supplier, wholesaler, and retailer owning 1,000 or more gallons of tax-paid diesel fuel on the 61st date after the effective date of the act adding this section shall pay a storage tax of twelve cents ($0.12) per gallon of tax-paid diesel fuel in storage according to the volumetric measure thereof.

(b) For purposes of this section:

(1) "Owning" means having title to the diesel fuel.

(2) "Retailer" means any person who sells diesel fuel in this state to a person who subsequently uses the diesel fuel.

(3) "Storing" includes the ownership or possession of tax-paid diesel fuel outside of the bulk transfer/terminal system, including the holding of tax-paid diesel fuel for sale at wholesale or retail locations stored in a container of any kind, including railroad tank cars and trucks or trailer cargo tanks. "Storing" also includes tax-paid diesel fuel purchased from and invoiced by the seller, and tax-paid diesel fuel removed from a terminal or entered into by a supplier, prior to the date specified in subdivision (a) and in transit on that date.

(4) "Wholesaler" means any person who sells diesel fuel in this state for resale to a retailer or to a person who is not a retailer and subsequently uses the diesel fuel.
SEC. 11. Section 60201.4 is added to the Revenue and Taxation Code, to read:

60201.4. On or before the 121st date after the effective date of the act adding this section, each person subject to the storage tax imposed under Section 60050.2 shall prepare and file with the board, in a form prescribed by the board, a return showing the total number of gallons of tax-paid diesel fuel owned by the person on the 61st date after the effective date of the act adding this section, the amount of the storage tax, and any other information that the board deems necessary for the proper administration of this part. The return shall be accompanied by a remittance payable to the Controller in the amount of tax due.

SEC. 12. 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.
The following revenues shall be deposited in the Road
Maintenance and Rehabilitation Account, which is hereby created
in the State Transportation Fund:
(a) (1) 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.
(2) The revenues attributable to the storage tax imposed
pursuant to Section 7361.2 of the Revenue and Taxation Code and
the revenues attributable to ten cents ($0.10) of the storage tax
per gallon of tax-paid diesel fuel imposed by Section 60050.2 of
the Revenue and Taxation Code, 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.

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. SEC. 13. Section 2103.1 is added to the Streets and Highways Code, to read:

2103.1. (a) 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.

(b) The portion of the revenues in the Highway Users Tax
Account attributable to the storage tax imposed pursuant to Section
7361.2 of the Revenue and Taxation Code and the storage tax
imposed pursuant to Section 60050.2 of the Revenue and Taxation
Code 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 storage tax per gallon of tax-paid diesel fuel imposed by
Section 60050.2 of the Revenue and Taxation Code shall be
deposited in the Trade Corridors Improvement Fund for
expenditure pursuant to Section 2192.

SEC. 10.
SEC. 14. 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. 15. 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.
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.
Additional Analysis of SB 16

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.
Fix-it-First Needs
Over the next 10 years, we have a $7.3 billion gap between available funding and the needs to keep our local streets, transit and bridges in good repair.

Transit Needs
$1.66 billion system preservation needs
$0.45 billion in funding
$1.21 billion funding gap

Bridge Needs
$296 million
regional 10-year need
31% of bridges ranked under 80% sufficiency
11% of bridges ranked under 50% sufficiency

Local Streets & Roads
$5.8 billion regional 10-year need
$404 million
$385 million
$655 million
$635 million
$2.9 billion
$799 million

Pavement Condition Index
71-100 = Excellent
61-70 = At Risk
50-60 = Poor
0-49 = Failed

Source: 2014 California Local Streets and Roads Needs Assessment (CSAC, League of California Cities)
Excerpt – May Revise

Allocation of State Transportation Project Funding
(Dollars in Billions)

*Does not include $3.8 billion in local sales tax measure revenues.

Source: 2015-16 May Revise Budget Summary for Transportation
May 19, 2015

SOLVING THE CRISIS IN CALIFORNIA’S CRUMBLING TRANSPORTATION SYSTEM:
THE VOTERS UNDERSTAND WHAT IT WILL TAKE

The collective failure among California’s elected officials, policy makers and transportation stakeholders to adequately address our crumbling streets, roads and highways at both the local and state level has carried us over a transportation fiscal cliff – a cliff we have already fallen from but have yet to experience the hard landing that is rushing up to meet us.

The unmet needs in addressing the condition of our deteriorating network of roads is staggering:

- California has the second-highest share of roads in “poor condition” in the nation.
- Some 58% of state roads need rehabilitation or pavement maintenance.
- Our state has 6 of the 10 cities with the worst road conditions in the nation.
- 55 percent of local bridges require rehabilitation or replacement.
- Nearly 70% of California’s urban roads and highways are congested.
- Without additional funding, a fourth of local streets and roads will be in failed condition by 2024.

Faced with this challenge, the California Alliance for Jobs has completed what is likely the most comprehensive project any organization has undertaken in many years to assess the attitudes and priorities California voters currently place on preserving and improving the state’s network of streets, roads and highways. We believe the research can help inform transportation funding proposals that are currently being considered in the Legislature.

Scope of Research

We commissioned six focus groups with Discovery Data, Inc. of likely voters throughout California from January through March 2015: (Sacramento, Contra Costa County, Santa Clara County, Los Angeles, San Diego, Merced County). The findings of these focus groups were then incorporated into a poll of likely voters that was conducted by Moore Methods over a period of three weeks in April.

A more detailed PowerPoint presentation including video clips of the focus groups can be accessed at:

https://www.dropbox.com/s/dsi64px3o1jng0k/%20Focus%20Group%20Findings_CTIP.pptx?dl=0

A summary of the focus group findings and a copy of the topline poll results are attached.
Key Findings

- We found the polling results to be completely consistent with the findings in our focus groups.
- Voters are acutely aware that our roads are deteriorating. They don't have to be prompted or have messages spun at them about the need. They already get it and are ready to do something to solve the problem.
- Voters place the highest priority on making bridges and overpasses safer, improving traffic congestion bottlenecks and maintaining existing state and local roads. Expanding regional commuter rail and bus services ranked lowest in priority among voters.
- Voters are lukewarm to increasing any single source of revenue to fix our roads, but when presented with a blended package containing those same elements, initial support actually increases to 55%.
- When substantive accountability provisions are added, support increases to 68%. This is a critical finding in our polling. Voters are inherently distrustful of raising taxes and fees, because they don’t trust government to spend the money effectively and responsibly. Adding real accountability provisions to the funding increases voter confidence and support.
- Although current legislative proposals have thus far focused on a 5-year sunset, we tested a 10-year sunset; the reason being that a number of our focus group respondents questioned whether a 5-year program would really get the job done. As the poll results demonstrate, the longer sunset does not erode voter support.

Our Recommendations

The funding recommendations outlined below are premised on the following:

1. A funding package comprised of modest increases among a variety of existing sources increases fairness, insures that all users of state and local roads help pay for their upkeep, and reflects voter priorities.
2. Phasing in some funding increases reduces financial impact, however …
3. Phasing in also reduces ability to reach target funding levels needed to address road maintenance and rehabilitation needs, unless a longer (10-year) sunset is adopted.

Performance & Accountability

Although additional transportation funding is critical to help address California’s deteriorating transportation infrastructure, funding without clear performance standards and accountability provisions will undermine effective implementation and voter confidence. The elements outlined below should be inseparably connected with a transportation funding package:

- New funding sources need to be placed into accounts dedicated to their intended purposes and protected from being used for budget shortfalls or programs unrelated to transportation.
- California Transportation Commission (CTC) oversight of Caltrans use of SHOPP funds should be strengthened.
- Require that the CTC identify estimated funds to be available for the program and adopt performance criteria to ensure efficient use of the funds.
- Authorize CTC, in collaboration with CalSTA and Caltrans, to adopt a plan to increase Caltrans efficiency and direct savings into SHOPP and maintenance projects.
- Require CTC to adopt similar performance and accountability process for that portion of funding to be allocated to maintenance and preservation of local streets and roads.
California Alliance for Jobs Role in Infrastructure Investment

The California Alliance for Jobs is a labor-management partnership representing more than 2,000 contractors and 80,000 union construction workers in Northern and Central California. Over the past 15 years, it has played a leadership role in helping counties and regional transportation agencies within its jurisdiction secure more than $20 billion in transportation sales tax and toll funding measures.

At the statewide level, the Alliance co-chaired the successful Prop. 1A-1E campaign in 2006 with Senate pro Tem Don Perata, which secured voter approval for $37 billion in bonds to finance transportation, housing, school and flood control infrastructure improvements throughout the state.

The Alliance also chaired Prop. 1A in 2008, the High Speed Rail bond measure and co-chaired Prop. 22 in 2010 with the League of California Cities and the California Transit Assoc., which placed strong protections on existing transportation funding sources.

Executive Consultant Jim Earp was appointed by Governor Schwarzenegger in 2007 to the California Transportation Commission and reappointed by Governor Jerry Brown in 2011 and 2015.

Jim Earp
Executive Consultant
California Alliance for Jobs
California Transportation Funding Survey

April 29, 2015

Survey Findings:

1. Voters see quality of roads deteriorating.

2. Deterioration of roads and highways ranks higher among their concerns than in recent years.

3. Maintaining existing system, addressing traffic bottlenecks and fixing unsafe roads and bridges rank highest among voters’ transportation priorities.
Survey Findings:

4. Voters are lukewarm about any single source of revenue to fix the problem, but when presented with a blended package containing those same elements, initial support is significantly stronger.

5. Adding accountability provisions increases support further and helps reassure voters the funds will be spent responsibly.

1. Road maintenance and pothole repair are increasingly important.

2. Is the issue of ___(a)___ very, somewhat or not too important to you ?

<table>
<thead>
<tr>
<th>Issue</th>
<th>Very</th>
<th>Not</th>
<th>Too</th>
<th>Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>improving the state economy.</td>
<td>84</td>
<td>13</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>drought relief and increasing water supplies</td>
<td>83</td>
<td>13</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>improving public education.</td>
<td>78</td>
<td>15</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>improving public safety and preventing crime.</td>
<td>76</td>
<td>19</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>making university tuition more affordable</td>
<td>63</td>
<td>25</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>maintaining roads and filling potholes.</td>
<td>61</td>
<td>32</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>simplifying government regulations.</td>
<td>52</td>
<td>29</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>keeping state and local taxes at current levels</td>
<td>51</td>
<td>32</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>providing more affordable housing.</td>
<td>49</td>
<td>30</td>
<td>20</td>
<td>1</td>
</tr>
</tbody>
</table>
2. Road safety fixes and fixing potholes and bottlenecks are voters’ highest priorities.

4. Would you give a high, medium or low priority to ___(a)___?

<table>
<thead>
<tr>
<th></th>
<th>HIGH</th>
<th>MED</th>
<th>LOW</th>
<th>OPIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>improving traffic congestion bottlenecks</td>
<td>63</td>
<td>31</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>making bridge safety improvements</td>
<td>63</td>
<td>28</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>filling potholes and maintaining roads</td>
<td>61</td>
<td>32</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>maintaining state highways</td>
<td>60</td>
<td>36</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>making road safety improvements</td>
<td>56</td>
<td>32</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>widening highways to help reduce congestion</td>
<td>43</td>
<td>39</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>expanding local bus services</td>
<td>38</td>
<td>37</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>expanding regional commuter rail service</td>
<td>38</td>
<td>34</td>
<td>26</td>
<td>2</td>
</tr>
</tbody>
</table>

3. Voters see quality of roads deteriorating.

3. How would you rate, the quality of ___(a)___ in your area -
excellent, good, fair or poor?

<table>
<thead>
<tr>
<th></th>
<th>EXCE/ FAIR/ NO</th>
<th>GOOD</th>
<th>POOR</th>
<th>OPIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>local streets and roads</td>
<td>42 58 0 - 2015</td>
<td>52</td>
<td>48</td>
<td>0 - 2013</td>
</tr>
<tr>
<td></td>
<td>50 49 1 - 2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>state highways</td>
<td>52 45 3 - 2015</td>
<td>55</td>
<td>45</td>
<td>0 - 2013</td>
</tr>
<tr>
<td></td>
<td>56 44 0 - 2011</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Voters lukewarm about any single source of revenue to fix the problem…

5a. To fund this plan, would you support or oppose ___(a)___?

<table>
<thead>
<tr>
<th></th>
<th>NO</th>
<th>SUPP</th>
<th>OPPO</th>
<th>OPIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>increasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>state gas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>tax by 2 cents</td>
<td>42</td>
<td>57</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>a gallon, each</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>year for 5 years, totaling 10 cents a gallon after 5 years</td>
<td>42</td>
<td>57</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>increasing</td>
<td>46</td>
<td>53</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>vehicle</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>registration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>fees by a total of $35, phased in by $7 a year over 5 years</td>
<td>46</td>
<td>53</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>increasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vehicle license</td>
<td>51</td>
<td>46</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>fees by a total of one-half of one percent of a vehicle’s value, phased in over a 5 year period</td>
<td>51</td>
<td>46</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>dedicating</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>current truck</td>
<td>72</td>
<td>19</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>weight fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>paid by large</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>trucks, to be used for road repair purposes only</td>
<td>72</td>
<td>19</td>
<td>9</td>
<td></td>
</tr>
</tbody>
</table>

5. … but when presented with a blended package containing those same elements, initial support is significantly stronger.

5b. Those are the possible sources for funding a 10 year plan to rehabilitate and repair state bridges, highways, and local streets and roads.

Would you likely support or oppose this funding proposal?

<table>
<thead>
<tr>
<th>PARTY</th>
<th>REGION</th>
<th>AGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PARTY</td>
<td>REGION</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>DEMS</td>
</tr>
<tr>
<td>SUPPORT</td>
<td>57</td>
<td>68</td>
</tr>
<tr>
<td>OPPOSE</td>
<td>37</td>
<td>27</td>
</tr>
<tr>
<td>NO OPINION</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>
6. Adding accountability provisions increases support and helps reassure voters.

6a. Would you support or oppose adding a provision to ___(a)___?

<table>
<thead>
<tr>
<th>Provision</th>
<th>SUPPORT</th>
<th>OPPOSE</th>
<th>NO OPINION</th>
</tr>
</thead>
<tbody>
<tr>
<td>place all revenues in a Road Rehabilitation fund and require 95% be spent on road projects and CalTrans administrative expenses limited to 5%</td>
<td>74</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td>limit this plan to 10 years and require voter approval for an additional 10 year extension</td>
<td>67</td>
<td>30</td>
<td>3</td>
</tr>
<tr>
<td>require that future Caltrans administrative budgets be reduced by thirty percent with all savings spent on road projects</td>
<td>69</td>
<td>22</td>
<td>9</td>
</tr>
<tr>
<td>allow local governments to use a portion of funds to finance bonds to quickly make safety improvements which engineers say are safety hazards</td>
<td>67</td>
<td>28</td>
<td>5</td>
</tr>
</tbody>
</table>

6b. If those provisions were added, would you likely support or oppose a 10-year funding plan to rehabilitate and repair state bridges, highways and local streets and roads?

<table>
<thead>
<tr>
<th>PARTY</th>
<th>REGION</th>
<th>AGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SO. NO.</td>
<td>40-</td>
</tr>
<tr>
<td></td>
<td>&lt;40</td>
<td>50</td>
</tr>
<tr>
<td>SUPPORT</td>
<td>66</td>
<td>67</td>
</tr>
<tr>
<td>OPPOSE</td>
<td>31</td>
<td>28</td>
</tr>
<tr>
<td>NO OPINION</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
SUPPORT

American Society of Civil Engineers
Associated General Contractors
California Alliance for Jobs
California Association of Councils of Governments
California Contract Cities Association
California State Association of Counties
California Infill Federation
City/County Association of Governments of San Mateo County
City of Calexico
City of Cathedral City
City of Claremont
City of Bellflower
City of Brisbane
City of Burbank
City of Capitola
City of Clearlake
City of Cloverdale
City of Daly City
City of Downey
City of Fountain Valley
City of Fowler
City of Gilroy
City of Hanford
City of Hayward
City of Hercules
City of Hughson
City of Huntington Park
City of Indian Wells
City of Lafayette
City of Lake Elsinore
City of Lakeport
City of Lakewood
City of Los Altos
City of Los Altos Hills
City of Livermore
City of Martinez
City of Mill Valley
City of Modesto
City of Montclair
City of Montebello
City of Monterey Park
City of Morgan Hill
City of Napa
City of Novato
City of Pacifica
City of Palos Verdes Estates
City of Pico Rivera
City of Pleasant Hill
City of Rancho Cucamonga
City of Rancho Mirage
City of Rosemead
City of Sacramento
City of San Jose
City of Santa Ana
City of Santa Clara
City of Santa Maria
City of San Gabriel
City of Sanger
City of San Mateo
City of Santa Barbara
City of Santa Rosa
City of Seaside
City of Shasta Lake
City of Soledad
City of South El Monte
City of Temecula
City of Thousand Oaks
City of Turlock
City of Ventura
City of Watsonville
City of West Sacramento
City of Whittier
County of Humboldt
CTM Construction
Glendale City Employees Association
Laborers’ International Union of North America
League of California Cities
LIUNA Locals 777 & 792
Los Angeles County Division of the League of Cities
Marin County Board of Supervisors
Marin County Council of Mayors and Council Members
Mendocino County Board of Supervisors
Metropolitan Transportation Commission
Monterey County Board of Supervisors
Northern California Carpenters Regional Council
Organization of SMUD Employees
Professional Engineers in California Government
Riverside County Board of Supervisors
San Benito County Board of Supervisors
San Bernardino Public Employees Association
San Luis Obispo County Employees Association
San Joaquin Valley Regional Transportation Authority
San Diego County Court Employees Association
Santa Clara County Board of Supervisors
Santa Clara Open Space Authority
Silicon Valley Leadership Group
Town of Colma
Town of Danville
Town of Moraga

OPPOSITION

Association of California Car Clubs
Howard Jarvis Tax Payers Association

As of May 28, 2015