



MEMO

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TO: Debbie Hale, Executive Director
Transportation Agency for Monterey County

FROM: John E. Arriaga, President

SUBJ: Transportation Report

Transportation –

Two weeks before the Legislature adjourned, both Transportation Chairs unveiled a \$7.4-billion transportation, the latest effort to break through a yearlong logjam over the state's funding woes. The plan, highlighted by an increase of 17 cents per gallon in the gas tax, comes from Assemblyman Jim Frazier (D-Oakley) and Sen. Jim Beall (D-San Jose) in an attempt to unify the disparate proposals the pair had previously introduced in their respective houses.

The combined plan is more than double the Governor's \$3.6-billion proposal, which calls for a 6-cent gas tax hike. Last summer, the Governor called a special session of the Legislature to highlight the \$130-billion backlog in state and local road repairs, as well as the billions more in other transportation budget deficits. But lawmakers have made little progress, especially with gas tax hikes - which would require a bipartisan supermajority vote - on the table.

Republican lawmakers have previously shown little appetite for a tax increase, instead pitching a plan that would eliminate vacant state worker positions and reallocate existing dollars - including from the state's climate change programs - toward transportation spending.

The specifics of the deal are:

- A \$7.4 billion annual funding package to repair and maintain our state and local roads, improve our trade corridors, and support public transit and active transportation.
- A \$706 million repayment of outstanding transportation loans for state and local roads.
- Eliminates the BOE "true up" that causes funding uncertainty and is responsible for drastic cuts to regional transportation projects.

- Indexes transportation taxes and fees to the California CPI to keep pace with inflation.
- Reforms and accountability for state and local governments to protect taxpayers.
- Streamlines transportation project delivery to help complete projects quicker and cheaper.
- Protects transportation revenue from being diverted for non-transportation purposes.
- Helps local governments raise revenue at home to meet the needs of their communities.

New Annual Funding

- State -- \$2.9 billion annually for maintenance and rehabilitation of the state highway system.
- Locals -- \$2.5 billion annually for maintenance and rehabilitation of local streets and roads.
- Regions -- \$534 million annually to help restore the cuts to the State Transportation Improvement Program (STIP).
- Transit -- \$516 million annually for transit capital projects and operations.
- Freight -- \$900 million annually for goods movement.
- Active Transportation -- \$80 million annually, with up to \$150 million possible through Caltrans efficiencies, for bicycle and pedestrian projects.
- Constitutional Amendment to help locals raise funding at home by lowering the voter threshold for transportation tax measures to 55 percent.

Reforms and Accountability

- Restores the independence of the California Transportation Commission (CTC).
- Creates the Office of Transportation Inspector General to oversee all state spending on transportation.
- Increases CTC oversight and approval of the State Highway Operations and Protection (SHOPP) program.
- Requires local governments to report streets and roads projects to the CTC and continue their own funding commitments to the local system.

Streamlining Project Delivery

- Permanently extends existing CEQA exemption for improvements in the existing roadway.
- Permanently extends existing federal NEPA delegation for Caltrans.

- Creates an Advance Mitigation program for transportation projects to help plan ahead for needed environmental mitigation.

New Annual Funding Sources

- Gasoline Excise Tax -- \$2.5 billion (17 cents per gallon increase)
- End the BOE "true up" -- \$1.1 billion
- Diesel Excise Tax -- \$900 million (30 cents per gallon increase)
- Vehicle Registration Fee -- \$1.3 billion (\$38 per year increase)
- Zero Emission Vehicle Registration Fee -- \$16 million (\$165 per year starting in 2nd year)
- Truck Weight Fees -- \$1 billion (Return to transportation over five years)
- Diesel Sales Tax -- \$216 million (3.5% increase)
- Cap and Trade -- \$300 million (from unallocated C&T funds)
- Miscellaneous transportation revenues -- \$149 million

Keeping Promises and Protecting Revenues

- One-time repayment of outstanding loans from transportation programs over two years. (\$706 million)
- Return of truck weight fees to transportation projects over five years. (\$1 billion)
- Constitutional amendment to ensure new funding cannot be diverted for non-transportation uses.

While many are hopeful that a deal can come to fruition before the 31st deadline, others are speculating that this might get passed by a "lame-duck" session. The Legislature's four caucuses always return two-days after a general election for internal affairs; therefore it is plausible that they could vote on something on November 10th prior to the new members being sworn in. The special session expires on November 30th.

Cap-and-Trade

Late last week, the Governor signed SB 859 by the Committee on Budget and Fiscal Review provides statutory provisions for the \$900 million 2016 cap-and-trade expenditure appropriation in AB 1613 by the Committee on Budget, and a plan to produce more biomass energy in the face of California's tree mortality epidemic:

- \$368 million to the Air Resources Board, including:
- \$133 million to the Clean Vehicle Rebate Program.
- \$80 million to the Enhanced Fleet Modernization Program, Plus-Up Pilot Project and up to \$20 million

of this amount may be used for other light-duty equity pilot projects.

--\$150 million for heavy-duty vehicles and off-road equipment investments.

--\$5 million for black carbon wood smoke programs.

--\$140 million to the Office of Planning and Research for the Strategic Growth Council to provide transformative climate communities grants.

--\$135 million to the Transportation Agency for the Transit and Intercity Rail Program.

--\$80 million to the Natural Resources Agency for the Urban Greening program.

--\$65 million to the Department of Food and Agriculture, including:

--\$50 million for the early and extra methane emissions reductions from dairy and livestock operations.

--\$7.5 million for the Healthy Soils Program.

--\$7.5 for the State Water Efficiency and Enhancement Program (SWEEP).

--\$40 million to the Department of Forestry and Fire Protection, including:

--\$25 million for the Healthy Forest Program.

--\$15 million for urban forestry programs.

--\$40 million to the Department of Resources Recycling and Recovery for waste diversion and greenhouse gas reduction financial assistance.

--\$20 million to the Department of Community Services and Development for weatherization and renewable energy projects.

--\$10 million to the Department of Transportation for the Active Transportation Program.

--\$2 million to the Office of Planning and Research for the Strategic Growth Council to provide technical assistance to disadvantaged communities.

Cap-and-trade investments in California, including expenditures in today's agreement, total \$3.2 billion.

Given the uncertainty associated with recent auctions of carbon allowances, the state has prudently reserved one-third of the total amount of proceeds for future allocation. Cap-and-trade investments in California, including expenditures in today's legislation, total \$3.2 billion.

The Governor also signed AB 2722, which creates the Transformative Climate Communities Program, a grant program administered by the Strategic Growth Council, for broad-based greenhouse gas emission reduction projects that provide local economic, environmental and health benefits to disadvantaged communities.