



September 25, 2017

TO: Board Members, Transportation Agency for Monterey County

FROM: Gus Khouri, Principal
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RE: STATE LEGISLATIVE UPDATE – SEPTEMBER

On September 15, the legislature adjourned after concluding its business for the first year of the 2017-18 Session. The following is a report on the status of priority items of interest for TAMC.

Priority Legislation

AB 696 (Caballero) would allow proceeds from a prospective sale of excess parcels from the Prunedale Bypass to be retained by TAMC and used for safety enhancements, among other things, on US 101 within Monterey County. The bill is currently pending action on the Governor's desk.

Under existing law, proceeds from the sale of property are used to pay down bond debt service. Current Monterey County Supervisor and former Assembly Member Luis Alejo authored AB 2730 in 2016, but it was vetoed by the Governor because the Department of Finance (DOF) insisted on the continued use of these funds for bond debt service. This year, we suggested the following arguments in order to compel a signature:

- Nothing outside of the bill compels the sale of the parcels, which were purchased over four decades ago and have not been put to use.
- The valuation of the property, which may yield up to \$12 million, is speculative since it is subject to market conditions. As a result, how can DOF calculate these one-time, speculative funds into their bond debt service repayment schedule?
- Highway 101 and 156 experience severe traffic given that both serve as major routes for goods movement and tourism. In fact, the Governor stated in a letter to the National Conference of Governors that both are vital infrastructure projects.
- There has been an increase in accidents resulting in injury and death, which is mainly attributable to the presence of several left-hand turn lanes that could be removed with adequate resources. Safety should take precedence over the theoretical interest that would be saved from paying down bond debt service with the sale proceeds.

- Assembly Member Caballero has cited lawsuits where Caltrans has been found liable in not addressing the condition of the roads within the County. This bill would help to protect Caltrans' exposure since they are ultimately responsible for addressing the state highway system.

Governor Brown has until October 15 to sign or veto the bill. We have been working with Caballero's office and TAMC staff to coordinate letters in support.

SB 477 (Cannella), which would have allowed a Joint Powers Authority (JPA) to expand its service area for intercity rail beyond its existing statutory-defined corridor, was held under submission in the Assembly Appropriations Committee. Unknown costs, potentially in the tens of millions, for operations and capital investments were cited by the committee and Department of Finance as reasons for not allowing the bill to progress. This appears to be subjective, however, since the bill only authorizes the expansion of a service area and expansion could not be realized unless revenue was obtained. Competitive grants programs such as the Transit Capital and Intercity Rail Program provide an opportunity. It is also inconsistent with the Governor's call for an integrated State Rail Plan. Our sense is that other political factors were at play.

We will work with the Coast Rail Coordinating Council and other regional partners in crafting a game plan for reintroduction in 2018.

Cap and Trade

On July 17, the legislature approved AB 398 (Eduardo Garcia), extending the Cap and Trade program from 2020 to 2030, and AB 617 (Cristina Garcia), which adds reporting requirements and penalties for non-compliance with Cap and Trade. The key to passage of AB 398 was making concessions to industry by ensuring price certainty for carbon credit purchases, sales tax exemptions to manufacturers for purchase of equipment, and the repeal of a fire prevention fee imposed on residents in rural areas.

On September 11, two bills, AB 134 (Assembly Committee on Budget) and SB 119 (Senate Committee on Budget and Fiscal Review), were amended for purposes of dividing up \$1.5 billion in Cap and Trade proceeds. Currently, 60% of the proceeds are continuously appropriated. The remaining 40% is subject to annual appropriation by the legislature. The following are highlights of the proposed spending bills:

- The biggest ticket item is \$900 million for new vehicles (trucks, buses, and zero emission vehicles):
 - \$250 million for Carl Moyer funding to specific regions, not including the Monterey Bay;
 - \$180 million for clean trucks and buses, of which \$35 million for zero-emission buses;
 - \$140 million to ports;
 - \$140 million for electric car rebates;
 - \$100 million for fleet modernization, replacement of school buses, and agricultural vanpools;
 - \$85 million for farm vehicles; and
 - \$5 million for environmental justice technical assistance.
- Governor Brown originally wanted \$300 million to help local regulators improve air quality in polluted neighborhoods, which was packaged with the

cap-and-trade extension passed by the Legislature in July. That part of the plan was reworked so the money flows through a clean vehicle program, an investment that supporters hope will yield quicker dividends for the same communities.

- Sustainable Agriculture would get \$300 million for investments in agriculture, including \$99 million for methane reduction and \$60 million for energy efficiency improvements at food processing facilities.
- Forest management, fire prevention and emergency response would receive \$305 million. This was one of the issues pushed by the Assembly Republicans who voted to help Democrats extend the Cap and Trade program.
- A variety of other programs would see more money under the deal, including \$18 million for weatherizing low-income homes, \$46 million for urban forestry and greening and \$15 million for restoring wetlands.

There was also an effort by both houses in soliciting members' requests for spending up to \$500 million in one-time revenues from the existing balance of Cap and Trade funds, as well as an effort to double the allocations to rail and transit. As a result, we worked with Assembly Member Anna Caballero to submit a \$10 million request to fund the Salinas Rail Extension. It is unclear at this point as to whether the members' requests will be adopted at a future date given that the legislature has completed its business for the year.

Governor Brown signed AB 134 into law on September 16.