

STAFF REPORT

SUBJECT: State Legislative Update
FROM: Michael Tree, Executive Director
DATE: February 23, 2016

Action Requested

Review and forward to the LAVTA Board of Directors.

Background

LAVTA staff tracks legislative activities each session that may impact the transit agency. This report identifies pending bills of particular interest that the agency may choose to take a position on during the course of the session.

Discussion

The Legislature opened the second year of the 2015-16 session on January 4th and moved quickly to work on legislation lingering from the odd year of the session that had to move to second house by February 1 or die. The next major deadline, the introduction of bills, occurred on February 20th creating the usual flurry of last minute activity with hundreds of bills coming forward in those final days and hours. Bills of interest to LAVTA are listed in Attachment 1.

Special Session on Transportation.

The Extraordinary Special Session on Transportation remains in session and many new bills have been introduced. However, little action has been forthcoming. There are no changes on the key measures introduced by the Governor and his proxies last summer. Despite intense deal-brokering behind the scenes, no major financing or programmatic changes were realized although the introduced legislation remains actionable.

The four key bills introduced by Democrats focusing on distribution of Cap & Trade funding and Fuel taxes remain active. With essentially no headway, the future is highly uncertain for these bills. The LAVTA Board of Directors has taken a support position for these bills. These measures are:

ABX1 7, SBX1 8 (Cap and Trade) – Nazarian, Hill

The ultimate goal of the Cap and Trade Program is to reduce greenhouse gas emissions through mechanisms that allow for clean technology investments. Within its allocation

plan, the program currently appropriates 10% of funding proceeds to the transit and Intercity Rail Capital Program and 5% to the Low Carbon Transit Operations Program. Instead, this bill would increase funding allocations from 10% to 20% in the Transit and Intercity Rail Capital Program. Similarly, it would increase funding allocations from 5% to 10% in the Low Carbon Transit Operation Program.

An identical bill, SBX1 8, has been introduced and provides for the same increases in annual proceeds through the Cap and Trade Program. Both bills would benefit LAVTA by doubling the level of operating assistance received through the Cal and Trade Program. Additionally, it would provide an increase in the opportunities available which LAVTA can compete for through capital programs.

ABX1 8, SBX1 7 (Sales and Use Tax) – Chiu & Bloom, Allen

Current law, which has established general sales and use tax, also enforces an additional tax on diesel fuel. The existing rate of additional diesel sales and use tax is 1.75%, which becomes available through formula allocation for public transportation use. ABX1 8 proposes to increase the diesel sales and use tax from 1.75% to 5.25%, effective July 1, 2016. An identical bill, SBX1 7, was introduced by Senator Allen in support of the increase.

2016 Regular Session.

Relatively few new bills are on the radar. We highlight here two bills of significant interest to LAVTA.

SB 824 (Beall) Would amend the Low Carbon Transit Operations Program (LCTOP) to essentially allow an operator to bank or loan its share of these funds. Specifically, SB 824 would allow a recipient that does not submit a project for funding to do the following:

- Accumulate and utilize its funding share at a later date.
- Loan or transfer its funding share to another operator.
- Pool its funding share with other operators for an identified project.
- Reassign any savings allocated to an operator from one project to another eligible project
- The bill would also require an operator for capital projects to specify the phases of work for which the funds will be used for, identify the sources and timing if all moneys required to complete the phase, and describe the intended sources and timing of funds to complete any subsequent phase of the project.

In addition, SB 824 would allow an operator to apply to Caltrans for a “letter of no prejudice” that would allow an operator to proceed with an eligible project using its own funds and then use LCTOP funds to reimburse the operator.

Suggested LAVTA Position: Watch.

Staff recommends watching this bill closely. The agency received \$107k from the program in FY 14-15 and is slated to receive \$253K in FY 15-16. MTC estimates LAVTA will

receive \$3 million over the next 25 years. The program modifications supported in this bill present interesting options for bundling those funds to accomplish strategic goals.

AB 1591 (Frazier). The Assembly Transportation Committee Chair has authored a major transportation funding package that would raise over \$7 Billion in annual state transportation funding, more than doubling current state revenue dedicated to transportation infrastructure. AB 1591 is the most aggressive proposal to date addressing the need for making a meaningful inroads on the \$137 Billion of need to improve road conditions. The proposal emphasizes “Fix It First” priorities, dedicating the vast majority of the funds to roadway repairs. It also creates a new ongoing funding streams for: goods movement (\$1.2 billion) and public transit (\$200 million). Also proposed is a state-local partnership program (\$228 million) designed to incentivize more counties to adopt a sales taxes for transportation.

Suggested LAVTA Position: Watch.

Fellow agencies such as MTC are taking Support with Amendment positions on AB 1591. LAVTA proposes waiting to see how the transit specific components develop before adopting a position.

Policy Issues

Transit Capital Program: CalSTA has completed its workshops on the guidelines for the next round of funding for the Transit & Intercity Rail Capital Program. As part of the changes implemented in SB 9, CalSTA will be holding individual pre-application meetings with prospective applicants across the state. LAVTA is evaluating opportunities to seek funding for electric buses through this funding source.

The next round of funding will be programmed over 2 years, covering the 2016-17 & 2017-18 fiscal years. The funding available ranges from a minimum of \$440 million up to \$1.3 billion. The actual amount will depend on if the Legislature adopts the Governor’s transportation funding proposal, which appropriates an additional \$400 million annually in cap & trade funds to the transit capital program. The first 5 year programming cycle will cover fiscal years 2018-19 through 2022-23. The call for projects for this cycle will be released in late summer or early fall of 2017

Gas Tax: While the governor’s transportation proposal would end the BOE’s annual requirement to “true-up” the revenue neutrality of the price-based excise tax, that requirement is still on the books. The BOE is required to adopt, by March 1st, a new rate for the price-based excise tax that will take effect on July 1st. With gas prices being lower than forecast, the BOE is expected to reduce the price-based excise tax again this year. The BOE’s estimates have not been released, but the governor’s budget assumes the price-based excise tax will need to be reduced by 2.2 cents, pushing the price-based excise tax down to 9.8 cents per gallon. This will reduce gas tax revenue by \$300 million. The BOE’s proposed adjustment could be larger than the 2.2 cent adjustment estimated by the Department of Finance. The BOE’s estimates should be release sometime in early February.

CTC’s Reaction: The California Transportation Commission (CTC) is in the throes of calculating an updated fund estimate for the 2016 STIP. With the inevitability of the price

based excise tax being further reduced, the CTC's earlier revenue forecasts no longer hold true. The CTC was put in the painful position of adopting a new fund estimate that reduced available funding by \$754 million by the Commission voting to adopt the staff's recommendation that relies on the price based excise tax being reduced to 10 cents next year and then increasing by 2 cents each year.

State Budget

Governor Jerry Brown unveiled his proposed spending plan for 2016-17. The budget proposal outlines a \$122 billion General Fund spending plan, along with \$48 billion in special funds, to total \$170 billion. The Governor forecasts the 2015-16 fiscal year ending with a \$5.2 billion surplus – about \$1.6 billion of the surplus is placed in the Rainy Day Fund. While capital gains revenue is coming in at an all-time high, the governor points out that we are 7 years into an economic expansion – two years longer than average. He warns that a recession is imminent and we must prepare now for those leaner times. He underscores that an “average” recession would reduce revenues by \$55 billion over three years. Accordingly, Governor Brown's budget limits spending for on-going programs and focuses on using extra funds for onetime investments while beefing up the Rainy Day Fund.

Transportation Budget: The governor's budget reiterates the transportation funding proposal he released last August. However, the spending plan in the Budget assumes it will be adopted. To recap, the governor's transportation funding plan would generate \$3.6 billion annually through the following:

- Road Improvement Charge — \$2 billion from a new \$65 fee on all vehicles, including hybrids and electrics.
- Stabilize Gasoline Excise Tax — \$500 million by setting the price based gasoline excise tax beginning in 2017-18 at the historical average of 18 cents and eliminating the current annual BOE adjustments. The base excise tax and the price-based excise tax would then be adjusted annually for inflation to maintain purchasing power.
- Diesel Excise Tax — \$500 million from an 11-cent increase in the diesel excise tax beginning in 2017-18. The entire diesel excise tax would also be adjusted annually for inflation to maintain purchasing power.
- Cap and Trade — \$500 million in additional Cap and Trade proceeds dedicated to transit capital projects and complete streets projects.
- Caltrans Efficiencies — \$100 million in cost-saving reforms.
- State and Local Partnership — \$250 million annually to provide matching grants for locally imposed transportation tax revenue.
- Loan Repayment — In addition, the budget proposes to accelerate the repayment of \$879 million in outstanding loans made from transportation accounts over the next four fiscal years.

This funding proposal would generate \$36 billion for transportation projects over the next ten years. Assuming the reality of a 2/3 vote is achieved; the budget proposal would allocate \$1.7 billion in new funds in 2016-17 as follows:

- \$342 million for local streets and roads that would be allocated to cities and counties for local road maintenance according to existing statutory formulas.

- \$148 million from loan repayments to reimburse cities and counties for funds already spent on Traffic Congestion Relief Program projects.
- \$100 million in Cap and Trade funds for the Low Carbon Road Program
- \$409 million in Cap and Trade funds for the Transit and Intercity Rail Capital Program (TIRCP) with at least 50% of the funds directed to benefit disadvantaged communities.
- \$200 million in continuously appropriated Cap and Trade funds allocated to TIRCP. Total funding for the Transit and Intercity Rail Program would be \$600 million annually.
- \$515 million (\$5 million from loan repayments) for Caltrans to fund repairs and maintenance on the state highway system.
- \$211 million for the Trade Corridor Improvement Fund for improvement projects along the State's major trade corridors.

State Transit Assistance: The budget estimates that State Transit Assistance (STA) revenue will climb a little to \$315 million for 2016-17. This is about \$15 million higher than the current year amount of \$299 million. The 2015-16 fiscal year estimate for STA was \$351 million, but low fuel prices have resulted in the Department of Finance adjusting this amount downward by \$52 million. This is a funding area that staff will monitor closely while the oil market remains volatile.

Recommendation
Information only.

**LAVTA Legislative Update
February 2016**

Bill	Author	Title	Legislative Principle	Suggested Position	Status
Special Session On Transportation 2015					
ABX1 1	Alejo	Transportation funding.	1		From printer.
ABX1 7	Nazarian	Public transit: funding.	2	Support	From printer.
ABX1 8	Chiu	Diesel sales and use tax.	2	Support	From printer.
ABX1 10	Levine	Public works: contracts: extra compensation.	3		From printer.
ABX1 13	Grove	Greenhouse Gas Reduction Fund: streets and highways.	4		From printer.
ABX1 14	Waldron	State Highway Operation and Protection Program: local streets and roads:	2		From printer.
ABX1 15	Patterson	State Highway Operation and Protection Program: local streets and roads: appropriation.	2		From printer.
ABX1 17	Achadjian	Greenhouse Gas Reduction Fund: state highway operation and protection program.	4		From printer.
ABX1 18	Linder	Vehicle weight fees: transportation bond debt service.	1		From printer.
ABX1 19	Linder	California Transportation Commission.	5		From printer.
ABX1 23	Garcia, Eduard	Transportation.	1		From printer.
ABX1 25	Allen, Travis	Shuttle services: loading and unloading of passengers.	3		From printer.
SBX1 1	Beall	Greenhouse Gas Reduction Fund.	1		From committee with author's amendments. Read second time and amended. Re-referred to Com. On APPR.
SBX1 2	Huff	Greenhouse Gas Reduction Fund.	1		September 1 set for first hearing. Failed passage in committee. (Ayes 3. Noes 9. Page 56.) Reconsideration granted.

Principles:

1. Protection of Existing Transportation Funding Sources
2. Enhancement of Future Transportation Funding Investments
3. Operating Conditions Advocacy

**LAVTA Legislative Update
February 2016**

SBX1 3	Vidak	Transportation bonds: highway, street, and road projects.	1		Returned to Secretary of Senate pursuant to Joint Rule 62(a).
SBX1 4	Beall	Transportation funding.	1		Senators Beall (Co-Chair), Allen, Leyva, Cannella and Gaines appointed to Conference Committee.
SBX1 6	Runner	Greenhouse Gas Reduction Fund (GGRF) and Cap & Trade	2		Returned to Secretary of Senate pursuant to Joint Rule 62(a).
SBX1 7	Allen	Diesel sales and use tax.	2	Support	Read second time and amended. Re-referred to Com. on APPR.
SBX1 8	Hill	Public transit: funding.	2	Support	From committee: Do pass and re-refer to Com. on APPR. (Ayes 8. Noes 0. Page 57) (September 1). Re-referred to Com. on APPR.
SBX1 10	Bates	Regional transportation capital improvement funds	2		September 8 hearing: Testimony taken. Hearing postponed by committee.
SBX1 11	Berryhill	Environmental quality: transportation infrastructure.	3		From committee with author's amendments. Read second time and amended. Re-referred to Com. on T. & I.D.
SBX1 12	Runner	California Transportation Commission. Outside oversight of CalSTA	3		Read second time and amended. Re-referred to Com. on APPR.
SBX1 13	Vidak	Office of the Transportation Inspector General.	3		From committee: Do pass and re-refer to Com. on APPR. (Ayes 12. Noes 0.) (August 19). Re-referred to Com. on APPR.
SCAX1 1	Huff	Motor vehicle fees and taxes: restriction on expenditures.	1		From committee: Be adopted and re-refer to Com. on APPR. (Ayes 13. Noes 0.) (September 8). Re-referred to Com. on APPR.

Legislative Session, 2015-2016

AB 397	Mathis	Bonds: transportation: water projects	1	Support	From committee: Without further action pursuant to Joint Rule 62(a)
AB 779	Garcia, C	Transportation: Congestion Management Program	3	Watch	In committee: Set, first hearing. Hearing canceled at the request of author
AB 1550	Gomez	Greenhouse Gases: investment plan: disadvantaged communities	4		Referred to Com. on NAT. RES.

Principles:

1. Protection of Existing Transportation Funding Sources
2. Enhancement of Future Transportation Funding Investments
3. Operating Conditions Advocacy

**LAVTA Legislative Update
February 2016**

AB 1552	Allen, Travis	Public contracts: state and local agencies: businesses engaged in boycott.	1		From printer. May be heard in committee February 4
AB 1555	Gomez	Greenhouse Gas Reduction Fund.	4		From printer. May be heard in committee February 4
AB 1569	Steinorth	California Environmental Quality Act: exemption: existing transportation infrastructure.	4		Referred to Coms. on NAT. RES. and TRANS.
AB 1572	Campos	School transportation.	3		Referred to Com. on ED.
AB 1591	Frazier	Transportation funding.	2	Watch	Referred to Coms, on TRANS. And REV. and TAX.
AB 1595	Campos	Employment: human trafficking training: mass transportation employers.	3		Referred to Com. on L. & E.
AB 1641	Allen, Travis	Shuttle services: loading and unloading of passengers.	3		Referred to Com. on TRANS.
AB 1665	Bonilla	Transactions and use taxes: County of Alameda, County of Contra Costa, and Contra Costa Transportation Authority.	2		Introduced measure version corrected.
AB 1717	Hadley	California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007.	1		From printer. May be heard in committee February 27.
AB 1746	Stone, Mark	Transit buses.	3		From printer. May be heard in committee March 4.
AB 1833	Linder	Transportation projects: environmental mitigation.	4		From printer. May be heard in committee March 11.
AB 1840	Gipson	California Transportation Financing Authority.	5		From printer. May be heard in committee March 11.
AB 1851	Gray	Air Quality Improvement Program.	4		From printer. May be heard in committee March 12.
AB 1886	McCarty	California Environmental Quality Act: transit priority projects.	4		From printer. May be heard in committee March 13.
AB 2030	Mullin	Transportation districts: contracts.	1		Read first time. To print.

Principles:

1. Protection of Existing Transportation Funding Sources
2. Enhancement of Future Transportation Funding Investments
3. Operating Conditions Advocacy

**LAVTA Legislative Update
February 2016**

ACA 4	Frazier	Local government transportation projects: special taxes: voter approval.	2	Support	In committee: Hearing postponed by committee.
SB 91	Committee on E	Greenhouse Gas Reduction Fund: investment plan.	4		Read third time and amended. Ordered to third reading. Re-referred to Com. on BUDGET pursuant to Assembly Rule 77.2.
SB 824	Beall	Low Carbon Transit Operations Program.	1	Watch	Referred to Com. on T. & H.
SB 882	Hertzberg	Crimes: public transportation: minors.	3		Referred to Coms. on PUB. S. and APPR.
SB 998	Wieckowski	Vehicles: mass transit guideways.	3		From printer. May be acted upon on or after March 12.
SB 1043	Allen	Renewable gas: biogas and biomethane.	4		From printer. May be acted upon on or after March 17.
Total Measures: 64					

Principles:

1. *Protection of Existing Transportation Funding Sources*
2. *Enhancement of Future Transportation Funding Investments*
3. *Operating Conditions Advocacy*