

STAFF REPORT

SUBJECT: State Legislative Update

FROM: Executive Director

DATE: August 25, 2015

Action Requested

Staff requests that the Finance & Administrative Committee discuss and forward to the LAVTA Board a recommendation of support for the following state legislation:

- ABX1 7, SBX1 8 (Cap and Trade)
- ABX 1 8, SBX 1 7 (Sales and Use Tax)

Background

The Governor has called an extraordinary session on transportation. Below are four bills that have been introduced in the extraordinary session that address transportation funding.

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. Staff is in the process of determining the positive fiscal impact of this bill to LAVTA.

Additional Information Regarding Extraordinary Session

For the Board's reference and interest, attached are all the legislative bills that have been brought forward during the extraordinary session on transportation.



July 21, 2015

Transportation Special Session Legislation

| Bills | Subject | Status | Client - Position |
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| <u>ABX1 1</u> (Alejo D) Transportation funding. | <p>ABX 1 is the reintroduction of AB 227, which was held in the Assembly Budget Committee due to the impact the bill would have on the general fund. ABX 1 includes the following provisions:</p> <ul style="list-style-type: none"> • Halt the use of truck weight fees for debt service payments, • Require all loans made to the general fund from transportation accounts to be repaid by December 31, 2018, • Halt the diversion of "Non-Article 19" funds to transportation debt service, • Specify that all swap excise tax revenue would be allocated 44% to the STIP, 12% to the SHOPP, and 44% to cities and counties for local streets and roads. <p>While ABX 1 halts the transfer of weight fees to the general fund, it does not provided a backfill to the general fund.</p> | ASSEMBLY PRINT | |
| <u>ABX1 2</u> (Perea D) Transportation projects: comprehensive development lease agreements. | <p>ABX 2 is the reintroduction of AB 1265, which was held on the Assembly Appropriations Committee's Suspense File. This bill would repeal the sunset date on the CTC's authority to approve public-private partnership projects.</p> <p>Current law authorizes a regional transportation agency to seek approval from the CTC to enter into public-private partnership to build toll facilities. ABX 2 would repeal the existing January 1, 2017 sunset date on this authority.</p> | ASSEMBLY PRINT | |
| <u>ABX1 3</u> (Frazier D) Transportation funding. | <p>ABX 3 is a spot bill that contains legislative intent language to enact permanent and sustainable sources of funding to repair state and local roadways.</p> | ASSEMBLY PRINT | |

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| <u>ABX1 4</u> (Frazier D) Transportation funding. | ABX 4 is another spot bill that includes intent language to enact sustainable funding sources to improve the state's key trade corridors and support local efforts to repair and improve local transportation infrastructure. | ASSEMBLY PRINT | |
| <u>ABX1 5</u> (Hernández, Roger D) Income taxes: credits: low-income housing: farmworker housing assistance. | ABX 5 makes several changes that would increase the amount of tax credits that could be allocated by the California Tax Credit Allocation Committee to farmworker housing projects. The bill would increase the amount of tax credits allocated to farmworker housing from \$500,000 to \$25 million annually. The bill would also state that qualified projects can include not less than 50% farmworker residents. | ASSEMBLY PRINT | |
| <u>ABX1 6</u> (Hernández, Roger D) Affordable Housing and Sustainable Communities Program. | ABX 6 would dedicated 20% of the funds allocated to the Affordable Housing & Sustainable Communities Program to projects located in rural areas, and requires 50% of the rural set aside must be used for affordable housing projects. | ASSEMBLY PRINT | |
| <u>ABX1 7</u> (Nazarian D) Public transit: funding. | ABX 7 would increase the share of cap & trade funds dedicated to transit. The bill would increase the amount allocated to the Low Carbon Transit Operations Program from 5% to 10%, and increase the amount allocated to the Transit & Intercity Rail Capital Program from 10% to 20%. | ASSEMBLY PRINT | |
| <u>ABX1 8</u> (Chiu D) Diesel sales and use tax. | Starting on July 1, 2016, ABX 8 would impose a sales tax on diesel fuel sales of 5.25%. This revenue would be deposited into the Public Transportation Account and allocated to operators through the State Transit Assistance formula. The bill would also sunset the existing 1.75% gas tax swap add-on sales tax imposed on diesel fuel sales on July 1, 2016. Thus replacing the existing 1.75% rate with the 5.25% rate. | ASSEMBLY PRINT | |
| <u>SBX1 1</u> (Beall D) Transportation funding. | Like SB 16, SBX 1 is the Senate Democrat's transportation funding proposal that would generate up to \$3.6 billion annually over the next 5 years. The funds would primarily be used to fund state highway and local and street and road maintenance needs. | SENATE T. & I.D. | |

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| | <p>SBX 1 was amended on July 14th to make the following changes:</p> <ul style="list-style-type: none"> • Gasoline excise tax increased to 12 cents from 10 cents. • Diesel excise tax increases to 22 cents from 12 cent. The amount dedicated to trade corridors was increased from 2 cents to 12 cents. • Eliminates the BOE's annual true-up of the gas tax swap and replaces it with a fixed swap excise tax of 17 cents that would be adjusted for inflation by the BOE every three years. • Expands the allowable use of these funds by cities and counties to include maintenance and rehabilitation, safety projects, grade separation projects, and <i>active transportation projects associated with any other allowable project.</i> • If a city or county has a pavement condition index of 85 or higher then it could use the funds any transportation purpose. • Deletes the proposed VLF increase and replaces it with a \$35 "Road Access Charge". This is in addition to the vehicle registration fee increase of \$100 on alternative fueled vehicles and \$35 on all other vehicles. • Transferring weight fee revenues currently used for bond debt to the Road Maintenance and Rehabilitation Account is deleted. The \$35 Road Access Charge would be deposited into the Road Maintenance and Rehabilitation Account, and the weight fee revenue would continue to be used for debt payments in order to eliminate any general fund impact. • 5% dedicated to the SLPP remains unchanged. • The sunset date is deleted. <p>SBX 1 and SB 16 would dedicate 5% of the funds toward an incentive program to encourage new local transportation sales tax programs – counties with an existing sales tax program are not eligible for</p> | | |
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| | these funds. The remaining funds are equally split between Caltrans maintenance projects and local street and road projects. | | |
| SBX1 2 (Huff R) Greenhouse Gas Reduction Fund. | <p>SBX 2 is part of the Senate Republican Caucuses proposal to direct cap & trade auction revenue to transportation projects. It is estimated that this would direct \$1.9 billion to transportation projects.</p> <p>SBX 2 would that all auction proceeds that are derived from including transportation fuels in the cap & trade program shall be appropriated by the Legislature for transportation infrastructure, including public streets and highways, but not high speed rail.</p> | SENATE T. & I.D. | |
| SBX1 3 (Vidak R) Transportation bonds: highway, street, and road projects. | <p>SBX 3 would halt the use of existing bonds for construction of the high speed rail system, and redirect the use of unsold bonds to state and local transportation projects. The bill would make the following changes:</p> <ul style="list-style-type: none"> • Use any outstanding bond proceeds to pay off the debt of those bonds. • Use any unissued bonds for transportation projects whereby 50% is appropriated to Caltrans for highway maintenance and new construction, and 50% to a new program in Caltrans to fund the repair and new construction of local streets and roads. | SENATE T. & I.D. | |
| SBX1 4 (Beall D) Transportation funding. | <p>SBX 4 is spot bill that includes legislative intent language to establish a permanent and sustainable funding source to maintain and repair state highways, local roads, bridges and other critical infrastructure.</p> <p>SBX 4 has procedurally been moved to the Third Reading File without being heard in a policy committee.</p> | SENATE THIRD READING | |
| SBX1 5 (Beall D) | SBX 5 is a spot bill with legislative intent language to establish a sustainable funding source to improve the state key trade corridors and support efforts by | SENATE THIRD READING | |

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| Transportation funding. | <p>local governments to repair and improve local transportation infrastructure.</p> <p>SBX 5 has also been moved to the Senate Third Reading File without a policy committee hearing.</p> | | |
| <p>SBX1 6 (Runner R) Greenhouse Gas Reduction Fund: transportation expenditures.</p> | <p>SBX 6 makes two significant changes. First, it would delete the continuous appropriation of 25% of cap & trade funds to the High Speed Rail Authority.</p> <p>Second, after the allocations are made to the Low Carbon Transit Operations Program, Transit & Intercity Rail Program, and the Affordable Housing & Sustainable Communities Program, the remaining 65% would be continuously appropriated to the CTC. The CTC would allocate the funds to high-priority transportation projects with 40% to state highway projects, 40% to local street and road projects, and 20% to public transit projects.</p> | SENATE T. & I.D. | |
| <p>SBX1 7 (Allen D) Diesel sales and use tax.</p> | <p>Identical to ABX 8, SBX 7 would replace the existing 1.75% diesel fuel sales tax that was imposed as part of the gas tax swap with a 5.25% sales tax rate.</p> <p>Starting on July 1, 2016, SBX 7 would impose a sales tax on diesel fuel sales of 5.25%, and sunset the existing 1.75% sales tax rate imposed on diesel fuel sales. This revenue would be deposited into the Public Transportation Account and allocated to operators through the State Transit Assistance formula.</p> | SENATE PRINT | |
| <p>SBX1 8 (Hill D) Public transit: funding.</p> | <p>SBX 8 is identical to ABX 7.</p> <p>SBX 8 would the amount allocated to the Low Carbon Transit Operations Program from 5% to 10%, and increase the amount allocated to the Transit & Intercity Rail Capital Program from 10% to 20%.</p> | SENATE PRINT | |
| <p>SBX1 9 (Moorlach R) Department of Transportation.</p> | <p>SBX 9 would prohibit Caltrans from using any "one-time" revenue to pay for staff costs, and it would phase in a requirement to contract out for architectural and engineering services.</p> <p>The bill would require starting on July 1, 2016 for Caltrans to contract out 15% of all architectural and</p> | SENATE PRINT | |

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| | engineering services. That amount would ratchet up each year for 7 years to ultimately require 50% of architectural and engineering services be contracted out. | | |
| <u>SBX1 10</u> (Bates R) Regional transportation capital improvement funds. | <p>SBX 10 would substantially alter how the county share of STIP funds are allocated and programmed.</p> <p>The bill would essentially allocate the 75% share of state and federal funds to the regional transportation planning agencies as a block grant as determined by the existing formula. The regional agencies would then program these funds to projects identified in the regional transportation improvement program. The regional agencies would then notify the CTC of which projects will be funded and then the CTC would simply incorporate these projects into the STIP. Thus, eliminating the CTC's role in programming these funds.</p> | SENATE PRINT | |
| <u>SBX1 11</u> (Berryhill R) California Environmental Quality Act: exemption: roadway improvement. | <p>Existing law provides an exemption from CEQA for local road repair projects undertaken in a county of less than 100,000, and does not cross a waterway or affect any riparian areas, wetlands, or wildlife areas.</p> <p>SBX 11 would expand this CEQA exemption to apply to any state or local roadway repairs undertaken in any county.</p> | SENATE PRINT | |
| <u>SBX1 12</u> (Runner R) California Transportation Commission. | <p>SBX 12 would make the California Transportation Commission (CTC) an independent entity outside the oversight of the California State Transportation Agency.</p> <p>This bill would also authorize the CTC to adopt and make changes to the projects listed in the SHOPP as submitted by Caltrans. Any changes made to a project included in the SHOPP, such as cost increases, scope, or schedule, must first be approved by the CTC before being implemented by Caltrans.</p> | SENATE PRINT | |
| <u>SBX1 13</u> (Vidak R) Office of the | SBX 13 would create an independent Office of the Transportation Inspector General. The office would be charged with reviewing policies, practices and | SENATE PRINT | |

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| Transportation Inspector General. | procedures, as well as conducting audits of activities involving state transportation funds. The Inspector General would be appointed by the Governor to a 6 year term. | | |
| <u>SBX1 14</u> (Cannella R) Transportation projects: comprehensive development lease agreements. | Identical to ABX 2, SBX 14 would delete the sunset date on the CTC's ability to approve public-private-partnerships. Current law authorizes a regional transportation agency to seek approval from the CTC to enter into public-private partnership to build toll facilities. ABX 2 would repeal the existing January 1, 2017 sunset date on this authority. | SENATE PRINT | |