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# DETAILED BILL SUMMARY – BEALL/FRAZIER TRANSPORTATION PROPOSAL
**August 24, 2016**

## *FISCAL PROVISIONS*

**I. REVENUE INCREASES AND EXISTING REDIRECTED REVENUES THAT FUND THE ROAD MAINTENANCE AND REHABILITATION ACCOUNT (RMRA) ON AN ANNUAL BASIS:**

- 17 cents gas tax increase – ($2.5 billion)
- Non-Article XIX protected transportation revenues, including revenues from the lease or sale of state property (currently being diverted to the General Fund) – ($149 million)
- $38 vehicle registration fee (VRF) increase ($1.3 billion)
- $165 zero emission vehicle (ZVRF) fee ($165 million)
    - **TOTAL GENERATED $4.1 BILLION ANNUALLY**
- Take $200 million off the top for a State-Local Partnership Program (SLPP) (to benefit counties that adopt/have adopted transportation self-help tax measures)
- Take $80 million off the top for Active Transportation Program (STP) (Note: that additional dedicated funds would be available based on achieving Caltrans efficiencies)
    - **TOTAL $3.8 BILLION FOR 50/50 FORMULA ANNUALLY ***
        - 50% to the State Highway Operations and Protection Program (SHOPP) or $1.9 Billion
        - **50% TO LOCAL STREETS AND ROADS (LSR) OR $1.9 BILLION**
            - **COUNTIES GET 50% OF LSR SHARE OR $959 MILLION ANNUALLY**

**In FY 2017-18 there is a one-time off the top of $100 million for seed money for the Advanced Mitigation program*

**II. RESETTING THE PRICE BASED EXCISE TAX RATE**

- Reset the price-based excise tax rate to 17.3-cents – the initial rate from the 2010 tax swap – and eliminate the annual adjustment to keep pace with what Prop 42 would have otherwise generated (i.e. eliminate the BOE "true-up" process)
- The FY 2016-17 rate is 9.8 cents so technically the reset is an "increase" of 7.5-cents
- The revenue stays in the Highway User Tax Account (HUTA) and is allocated per the 44% STIP/44% LSR/12% SHOPP formula
- The 7.5-cent increase would generate $1.1 billion in additional tax swap revenue over FY 2016-17 revenues, bringing us back to where we started six years ago
    - **CITIES AND COUNTIES WOULD GET $495 MILLION FROM THE INCREASE IN THE TAX SWAP RATE AND COUNTIES GET 50% OR $247.5 MILLION OF THAT**
    - In FY 2017-18 and every year thereafter, counties would get $330 million from the tax swap revenues in total

**III. INFLATION**

- Beginning in 2019, every 3rd year, the Board of Equalization (BOE) adjusts the base gas tax, the new 17.3-cent fixed tax swap rate, the VRF, and ZVRF for inflation based on the CA Consumer Price Index
- The new rates will be determined by March 1 of the same year of the effective date of new rate

## IV. NON-HIGHWAY VEHICLE INCREMENT OF PRICE BASED EXCISE TAX

- Returns to LSR, SHOPP, and STIP, all non-highway related price-based excise tax revenues (i.e. the price-based share of imputed boat, ag vehicle, and off-highway vehicle fuel taxes paid on gasoline purchased at the pump). At a price-based excise tax rate of 16.9 cents, the diversion was $110 million, so we have conservatively assumed $100 million would be returned for sake of this analysis.
- **LSR WOULD GET $44 MILLION FROM THE RETURNED OHV REVENUE, $22 MILLION OF WHICH WOULD GO TO COUNTIES VIA THE SECTION 2103 FORMULA (75% MAINTAINED MILES/25% REGISTERED VEHICLES)**
- When the new excise tax replaced the Prop 42 sales tax, the Controller began to allocate a portion of the price-based excise tax revenue to non-highway vehicle programs, consistent with requirements for the base excise tax. These non-highway programs never actually expended any of the price-based excise tax "windfall," as the Department of Finance later secured budget language that diverted this share of money to the General Fund
- Bottom line: Prop 42 never paid into non-highway vehicle accounts. To maintain revenue neutrality under the gas tax swap, these revenues should be returned to LSR, STIP, and SHOPP.

## V. WEIGHT FEES

- Beginning in 2017-18, the state can only take a percentage, ramping down over a five-year period until fully returned, of the weight fees for transportation related bond debt service. Assuming weight fees are $1 billion annually (Note: this is a conservative estimate as projections indicate weight fee revenue will exceed $1.1 billion by FY 2019-20 and continue to grow), the schedule is as follows:
    - 80 percent of weight fees in 2017-18 ($200 million returned to transportation)
    - 60 percent of weight fees in 2018-19 ($400 million returned to transportation)
    - 40 percent of weight fees in 2019-20 ($600 million returned to transportation)
    - 20 percent of weight fees in 2020-21 ($800 million returned to transportation)
    - Fully returned to transportation in 2021-22 ($1 billion retuned to transportation)
- The bill directs weight fees to remain in the State Highway Account.*

  **CSAC is requesting an amendment that ensures the entire truck weight fee swap from 2011 is undone which includes amending Streets and Highways Code §2103 to undo the price-based gas tax revenue backfill to the SHA for the loss of truck weight fees. This will ensure that the $1 billion in returned revenue goes through the 44/44/12 formula pursuant to the tax swap. We understand this was the intent of the authors.* ***WITH THE AMENDMENT, LSR WOULD RECEIVE $88 MILLION IN FY 2017-18, $440 MILLION IN FY 2021-22, AND AMOUNTS COULD INCREASE INTO THE FUTURE VIA THE SECTION 2103 FORMULA. COUNTIES WOULD RECEIVE AN ADDITIONAL $44 MILLION IN REVENUES IN FY 2017-18, $220 MILLION IN FY 2021-22, AND AMOUNTS COULD INCREASE INTO THE FUTURE.***

## VI. LOAN REPAYMENT

- Total of $703 million to be repaid over two years starting in 2017 (recall that as part of the "MCO deal" earlier this year, approximately $173 million in transportation loans were repaid early)

- Fifty percent to cities and counties (approximately $351.1 million) pursuant to Streets and Highways Code §2103
    - **IN 2017, A $175.75 MILLION TO LSR, $87.87 MILLION TO COUNTIES**
    - **IN 2018, A $175.75 MILLION TO LSR, $87.87 MILLION TO COUNTIES**
- Loans are repaid from the Budget Stabilization Account

***POLICY/PROGRAMMATIC PROVISIONS***

**VII. MAINTENANCE OF EFFORT**

- Maintenance of Effort (MOE) requirement consistent with Prop 42 – a three year average based on FY 2009-10, 10-11, and 11-12 fiscal years

**VIII. PROJECT LISTS & REPORTING REQUIREMENTS**

- Similar to Prop 1B, in order to access funds in the RMRA, counties and cities must submit to the California Transportation Commission (CTC) a list of projects proposed to be funded pursuant to an adopted budget
- The county budget, including the project list, must be adopted at a regular public meeting
- The list shall include:
    - Description of project
    - Location of project
    - Proposed schedule for project completion
    - Estimated useful life of the improvement
- There is a disclaimer that the project list shall not limit the flexibility to fund projects in accordance with local needs and priorities so long as they are consistent with eligible uses of the RMRA funds which include:
    - Road maintenance and rehabilitation
    - Safety projects
    - Railroad grade separations
    - Complete street components, active transportation, ped and bike safety projects, transit facilities, and drainage and stormwater capture projects in conjunction with any other allowable project
    - Traffic control devices
    - As match for other state or federal funds
    - RMRA funds can be used for broader transportation purposes in jurisdictions where PCI exceeds 80
- At the end of each fiscal year, counties shall submit documentation to the CTC including:
    - Description and location of each completed project
    - Amount of funds expended on the project
    - The completion date
    - Estimated useful life of the improvement

**IX. EXPANSION OF AB 890 CEQA EXEMPTION & REPEAL OF SUNSET DATE**

- Expands the CEQA exemption for specified maintenance and safety projects that are completed within the existing right-of-way. Specifically,
    - Eliminates the 100,000 persons population cap
    - Expands exemption to state roadways

    - Eliminates the sunset date, making the exemption permanent

## X. STATE LOCAL PARTNERSHIP PROGRAM

- CTC, in partnership with regional and local agencies, will develop guidelines for the allocation of funds
- Eligible entities include counties with voter approved taxes or imposed fees including uniform developer fees that are dedicated solely to transportation purposes.

## XI. ADVANCED MITIGATION

- Eligible agency means "Caltrans, HSR, MPO, RTPA, or another public agency that implements transportation projects"
- Only applies to capital projects
- Natural Resources Agency authority for program to:*
    - Establishes mitigation banks or conservation banks
    - Establishes types and quantity of mitigation credits or values created under a program

**We understand the authors intend to amend these provisions to give the authority for the program to the CTC. We will conduct a more thorough analysis of this program in the future once the final details have been settled.*

## XII. PRE-APPRENTICESHIP REQUIREMENTS

- As a condition of receiving funds from the RMRA, counties (and cities and the state), shall adopt and implement a program designed to promote and advance construction employment and training opportunities through pre-apprenticeships
- The public agency can do this by itself or through contractors engaged by public agencies to do work funded in whole, or in part, by RMRA funds

## XIII. CONSERVATION CORP REQUIREMENTS

- As a condition of receiving funds from the RMRA, counties (and cities and the state), shall ensure involvement of the California Conversation Corps and certified community conversation corps in the delivery of projects and services funded whole, or in part, by RMRA funds