

Memorandum

Tab 14

To: CHAIR AND COMMISSIONERS

CTC Meeting: January 20, 2016

Reference No.: 4.1
Action

From: WILL KEMPTON 
Executive Director

Subject: STATE AND FEDERAL LEGISLATION

ISSUE:

- 1) Does the California Transportation Commission (Commission) have comments on the legislation identified and monitored by staff as presented in Attachment A?
- 2) Should the Commission support the general concepts included in the new transportation funding proposals?
- 3) Should the Commission communicate to the Legislature its support of implementing the federal freight formula funding program through the existing Trade Corridor Improvement Program?

RECOMMENDATION:

Staff recommends that the Commission:

- 1) Accept the staff report and provide direction to staff on legislation of interest in Attachment A;
- 2) Send a letter to the Legislature supporting the general concept of all transportation funding and reform proposals which responsibly address the state's crumbling transportation infrastructure; and
- 3) Send a letter to the Legislature in support of implementing the federal freight formula funding program through the existing Trade Corridor Improvement Program.

BACKGROUND:

The Legislature returned from interim recess on January 4th to begin the second year of the 2-year session. The policy committees of both houses held bill hearings to move to the floor some of the remaining bills from the first year. According to the State Constitution, any bill introduced in 2015 that does not get out of its house of origin by January 31, 2016, is dead.

Remaining 2-Year Bills

The following bills of interest from 2015 are still pending and staff will continue to track them:

STATE OF CALIFORNIA

CALIFORNIA TRANSPORTATION COMMISSION

SB 254 (Allen, D) State Highways: Relinquishment – Authorizes the Commission to relinquish to a local government a portion of the state highway system if Caltrans enters into an agreement with the city or county. This bill essentially eliminates the legislature's role, streamlining the existing relinquishment process.

Status: Assembly Transportation Committee

Adopted Position: Support in Concept

SB 321 (Beall, D) Motor Vehicle Fuel Taxes: Rate Adjustment – Requires the State Board of Equalization (BOE) to adjust the price-based excise tax rate to reflect the estimate made by the BOE based on the average fuel price over the previous four fiscal years and the estimated price for the current fiscal year.

Status: Senate Floor – Inactive File

Adopted Position: Support in Concept

SCR 45 (Berryhill, R) Joe Levy Memorial Highway – Re-designates a portion of State Highway Route 41 in the County of Fresno as the Joe Levy Memorial Highway, instead of the Dwight D. Eisenhower Memorial Freeway, and adjusts the portion of State Highway Route 41 designated as the Dwight D. Eisenhower Memorial Freeway.

Status: Assembly Appropriations

Adopted Position: Support

New Legislation

In addition, Legislators have begun introducing new legislation this year. Some bills of interest include:

AB 1555 (Gomez, D) Cap and Trade Funds – States the intent of the Legislature to enact future legislation that would appropriate monies from the Greenhouse Gas Reduction Fund that would be allocated to different entities in amounts to be determined for purposes including low carbon transportation and infrastructure, clean energy communities, community climate improvements, wetland and watershed restoration, and carbon sequestration.

Status: Introduced

AB 1569 (Steinorth, R) CEQA Exemptions – Exempts from CEQA a project, or the issuance of a permit for a project, in the existing right of way that consists of the inspection, maintenance, repair, rehabilitation, or removal of, or the addition of an auxiliary lane or bikeway to, existing transportation infrastructure and that meets certain requirements.

Status: Introduced

Note: Similar to language included in the Governor's funding proposal

AB 1591 (Frazier, D) Transportation Funding – Increases transportation funding to support the Road Maintenance and Rehabilitation Program through a motor vehicle fuel tax increase, a new vehicle registration fee for zero-emission vehicles, and other fees. Includes a diesel fuel tax increase to fund the Trade Corridors Improvement Fund.

Status: Introduced

Note: Similar to Senator Beall's SB 16 and SB1x 1

AB 1657 (O'Donnell, D) Cap and Trade Funds: Ports – Establishes the Zero- and Near-Zero-Emission Intermodal Terminals Program to be administered by the Air Resources Board to fund equipment upgrades and investments at intermodal terminals in order to transition the state's freight system to be zero-emission and near-zero-emission operations. Authorizes the program to be implemented with moneys from the Greenhouse Gas Reduction Fund.

Status: Introduced

SB 824 (Beall, D) Low Carbon Transit Operations Program – Authorizes a recipient transit agency that does not submit a project for funding under the Low Carbon Transit Operations Program in a particular fiscal year to retain its funding share for expenditure in a subsequent fiscal year. Requires Caltrans to annually calculate a funding share for each eligible recipient transit agency. Allows a recipient transit agency to loan or transfer its funding share to another transit agency.

Status: Introduced

Beyond the legislation mentioned above, status of all pending bills the Commission is monitoring can be found in Attachment A.

Transportation Funding Proposals

On January 6th, Assembly Member Frazier introduced AB 1591, his proposal for increasing funding for transportation. On January 7th, Governor Brown released his January Budget which included his draft funding proposal from last September. When combined with Senator Beall's 2015 funding proposal contained in SB 16 and later in the First Extraordinary Session bill SB1x 1, there are now three different proposals for increasing funding for transportation.

While similar in many ways, these three proposals differ in minor ways. For example, the proposals from Senator Beall and Assembly Member Frazier contain significantly more funding than the Governor's proposal (roughly \$6 billion and \$7.2 billion, respectively, compared to \$3.6 billion). While Assembly Member Frazier's bill and the Governor's proposal both include funding from the Greenhouse Gas Reduction Fund (cap and trade revenues), Senator Beall's proposal does not include this type of funding. Similarly, Senator Beall's bill and the Governor's proposal do not address using funding from truck weight fees for General Fund purposes, but Assembly Member Frazier's bill immediately returns this funding to transportation. Attachment B is a summary comparison of the three proposals.

One characteristic all three proposals share is the apparent lack of the Republican support necessary for passage. Any tax or fee increase requires a two-thirds vote in both the Assembly and the Senate, which means at least a few Republican Legislators must vote for the increase. To date, none of the three proposals have received any Republican votes¹, and little support of raising taxes for transportation has been publicly communicated by any Republican members.

Given the desperate need for increased transportation funding, staff recommends the Commission send a letter to the Legislature supporting the general concept of all three proposals, and reiterating

¹ At this point, only SB 16 (Beall) has been up for a vote in any committee. On April 28, 2015, SB 16 passed out of the Senate Transportation and Housing Committee on a 6-1 vote; on May 6th it passed out of Senate Governance and Finance 5-1; and on May 28th it passed out of Senate Appropriations 5-2. It is currently on the Senate Floor in the Inactive File.

the Commission's position of support of all proposals that responsibly address the state's crumbling transportation system.

Federal Legislation Update

On December 4, 2015, the President signed into law the Fixing America's Surface Transportation Act, or "FAST Act". The FAST Act authorizes \$305 billion over federal fiscal years 2016 through 2020 for highway, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology and statistics programs. Over the five-year duration of the FAST Act, California estimates it will receive approximately \$19.5 billion in federal transportation funds.

Of particular note, the FAST Act creates two new funded freight programs. A \$6.3 billion formula freight program allocated to the states, and a Nationally Significant Freight and Highway Projects Competitive grant program funded at \$4.5 billion. It is estimated that California will receive over \$100 million annually for the next five years in federal formula funds, and an unknown amount in competitive grant funds. The FAST Act includes some general parameters regulating the new formula freight funding, but does not specify how it should be programmed and spent.

The most recent significant investment in freight infrastructure in California was through the Trade Corridors Improvement Fund (TCIF) program as part of the Proposition 1B bond package passed in 2006. The primary purpose of the TCIF was to improve freight movement along trade corridors while reducing diesel particulate matter and other pollutants that impact air quality. The \$2 billion in TCIF bond funding was used to leverage an additional \$5.2 billion in matching funds from a variety of public and private sources, delivering 81 high-priority seaport, railroad, and highway projects across the state.

Many acknowledge the successful implementation of the TCIF program. In fact, in 2014 the Legislature passed and the Governor signed Senate Bill 1228 (Hueso), which continued the existence of the TCIF program and the CTC's role in programming the funds, if other freight funding opportunities were identified.

Staff recommends that the Commission communicate with Legislature and recommend that legislation be passed directing the new federal formula freight funding through the TCIF program.

Attachment A - Status of all pending bills the Commission has been monitoring this session
Attachment B – A summary comparison of transportation funding proposals