



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 4

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Legislation Committee

DATE: September 4, 2015

FR: Executive Director

W. I. 1131

RE: Update on Transportation Special Session

The transportation special session kicked into high gear on September 3 with the Brown Administration's announcement of a proposal that includes a \$3.6 billion increase in annual transportation funding, split 50/50 between state and local investments, plus a one-time \$879 million loan repayment to various transportation accounts from the General Fund. The proposal is the first detailed funding concept on the table since the release of SB x1-1 (Beall), a \$4.5 billion plan. SB x1-1 was a reintroduction of an SB 16, which MTC supported earlier this year. In addition to the substantial difference in the size and funding sources of the plans, a major difference between them is that the Brown Administration's proposal includes \$400 million in ongoing new funding for public transit, whereas SB x1-1 is strictly a roadway proposal — including bicycle and pedestrian enhancements.

The Brown Administration's proposal invests the annual funds as follows:

- \$1.6 billion for state highway repairs
- \$1.15 billion per year for cities and counties for local streets and roads
- \$400 million per year for public transit (with 50% for disadvantaged communities)
- \$250 million for a state-local partnership program
- \$200 million for trade corridors

One time funds for are proposed to be invested as follows:

- \$334 million for trade corridors
- \$265 million for the Transit & Intercity Rail Capital Program
- \$148 million for local traffic congestion relief
- \$132 million for state highway repairs

Attachment 1 is the one-page document released by the Brown Administration to date. Many questions remain.

Senate Transportation & Infrastructure Committee Approve Several Bills

In terms of legislative activity, the Senate Transportation & Infrastructure Committee — formed specifically to handle legislation introduced as part of the special session and chaired by Senator Jim Beall — has approved SB x1-1 (Beall), along with several transit bills, SB x1-7 (Allen) and SBx1-8 (Hill), discussed below. Since the committee's approval of SBx1-1, however, amendments were made to the bill at the request of various bicycle and pedestrian advocates. The new language imposes substantial project-level reporting and evaluation requirements for projects led by either local agencies or Caltrans and requires significant bicycle and pedestrian enhancements for certain projects.

Specifically, the amended version would:

- Require all State Transportation Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP) to incorporate improvements for bicycles and pedestrians, subject to certain exceptions.
- Require all STIP and SHOPP projects “to the maximum extent feasible” to reduce GHG emissions and benefit “vulnerable or disadvantaged communities.”
- Empower the California Transportation Commission (CTC) to withhold future STIP or SHOPP funds from an applicant who did not meet the criteria for a prior project.
- Require the CTC to adopt performance criteria for state or local road repair projects funded by the bill related to highway performance, greenhouse gas emissions, social equity impacts and public health impacts. Project sponsors would be required to submit documentation to the CTC every year regarding how a project funded with the new revenue from the bill contributes to meeting these criteria.

SB x1-1 retains a focus on roadway repairs with a 50/50 split between funding for the state highway system and local streets and roads. The gasoline and diesel fuel tax increases are retained in the bill, but weight fee restoration has been removed, along with a vehicle license fee increase that was inserted specifically to backfill the General Fund for the loss of weight fee revenue. Other than several transit funding bills noted below, SB x1-1 is the only proposal to raise taxes for new transportation funding. Assembly Speaker Toni Atkins and Assembly Transportation & Infrastructure Committee Chair Jim Frazier have held a number of hearings, press events and roundtables, but have yet to release a specific proposal. According to staff in the Assembly Speaker’s Office, negotiations with legislators are ongoing and their preferred strategy is to wait until they have the votes lined up prior to releasing a specific proposal.

MTC Support for New Special Session Bills

In response to calls by MTC, Bay Area transit operators and the California Transit Association, among others, several bills were introduced to include transit funding as part of the overall funding package in the special session. The Senate versions of the transit funding bills were approved by the Senate T&I Committee. MTC staff secured the approval of MTC Chair Cortese and Legislation Committee Chair Aguirre to communicate our support of the following bills in advance of the commission’s approval:

- SB x1-7 (Allen) / AB x1-8 (Chiu): Increases the rate of the diesel sales tax to augment the State Transit Assistance Program.
- SB x1-8 (Hill) / AB x1-7 (Nazarian): Doubles the share of Cap and Trade funding going to public transit. Specifically, increases from 5 to 10 percent the share going to the Low Carbon Transit Operations Program and from 10 to 20 percent the share going to the Transit Intercity Rail Capital Program (TIRCP).
- AB x1-2 (Perea) / SB x1-14 (Canella): Removes the sunset for public-private partnerships

The Commission will have the opportunity to formally ratify these positions at its September meeting.

Republican Proposals Include Funding and Non-Funding Related Bills

Given the two-thirds vote required, much attention is focused on finding the three Republican votes necessary to pass a bill — two in the Assembly and one in the Senate. Republican funding proposals in the special session have focused on transferring existing funding to streets and roads, including

Cap and Trade funding (SBx1-2, Huff), High-Speed Rail funding (SB x1-3, Vidak and SBx1-6, Runner), and General Fund surpluses (Assembly Republican proposal, 8/28/15).

In terms of policy changes, Republicans have introduced a number of long-sought changes they hope to emerge from the special session, including exempting from the California Environmental Quality Act (CEQA) certain roadway repair and safety projects within the existing right-of-way (SB x1-11, Berryhill), converting the Regional Transportation Improvement Program into a block grant program, (SB x1-10, Bates), increasing the amount of contracting out at Caltrans (SB x1-9, Moorlach) and making the California Transportation Commission independent (SB x1-12, Runner), among other ideas. At the time this memo was finalized, only one Republican proposal had advanced from committee, SB x1-13 (Vidak), which creates an Inspector General to be appointed by the Governor to oversee, audit and develop recommendations to improve the efficiency of Caltrans and the High Speed Rail Authority. It was unanimously approved by the Senate Transportation & Infrastructure Committee. The full nine-point plan proposed by the Republican Caucus is included in Attachment 2.

It is worth noting that the Administration's proposal highlighted a number of "reform and accountability" strategies they were supportive of, including:

- Measurable targets for state highway performance
- CEQA streamlining for infrastructure repairs
- Flexibility on hiring for new workload
- Extension of public private partnerships

Next Steps

Given the pace of recent developments, we expect much to change over the next week. We will continue to champion a program that contains the following elements:

- Provides ongoing, dedicated user-based funding on a scale large enough to make a meaningful impact on our roadway repair backlog
- Includes new funding for public transit
- Allows complete streets and operational improvements to be made as a component of roadway repairs

With respect to the requirement that 50 percent of new transit funding benefit disadvantaged communities, staff will advocate for a broader definition than the method used in Cap and Trade (CalEnviroScreen 2.0) in order to ensure the region's low-income census tracts are appropriately included.



Steve Heminger

SH: rl

Transportation Package

- **\$3.6 billion annual funding package for transportation, with an emphasis on repairing and maintaining existing transportation infrastructure and General Fund commitment of \$879 million in loan repayments**
- **Funding shared evenly between state and local uses**
- **Constitutional protection for increased revenues**

Reforms and Accountability

- State Highway Performance Plan—Measurable targets for Improvement including regular reporting
- Streamlined projects, with CEQA exemptions for infrastructure repairs, remove NEPA delegation sunset, advanced mitigation, and innovative procurement methods
- Flexibility on hiring for new workload
- Extension of public private partnerships

Ongoing Funding

State (\$1.8 billion annually):

- State Highway Improvement Plan -- \$1.6 billion annually
- Trade Corridors -- \$200 million annually

Local (\$1.8 billion annually):

- Local Streets and Roads -- \$1.15 billion annually, including \$100 million from Cap and Trade grants for complete streets and projects that achieve GHG benefits, with 50% to disadvantaged communities
- Transit Grants — \$400 million annually, with 50% to disadvantaged communities
- Local Partnership Program -- \$250 million annually

Sources of Annual Funding

Cap and Trade -- \$500 million (from 40% allocation not currently appropriated) Caltrans Efficiencies -- \$100 million (savings from service improvements)

Gas Excise Tax -- \$500 million (stabilize funding with 5-year average, index to CPI)

Diesel Excise Tax -- \$500 million { 11 cent increase, index to CPI}

Highway User Fee -- \$2 billion (\$65 per vehicle, including hybrids and electrics)

General Fund Contribution (one-time)

- Accelerated loan repayment of \$879 million using Proposition 2 debt funds
- \$265 million to Transit and Intercity Rail Capital Program
- \$334 million to Trade Corridors
- \$148 million to Local Traffic Congestion Relief Projects
- \$132 million to State Highway Repairs

Protection of Revenues

Constitutional Amendment to ensure that new funding is covered by Article XIX.

FIXING OUR ROADS

#MAKEGOVWORK

A ROADMAP OF PRIORITIES: A NINE-POINT, \$6.6 BILLION PLAN TO FUND TRANSPORTATION INFRASTRUCTURE & FIX OUR ROADS WITH EXISTING RESOURCES

6 EXISTING FUNDS

40% of funds in California's Cap & Trade program: \$1 Billion+ Annually (ABx1 17, Achadjian)

The goal of Cap & Trade is to offset the impacts of greenhouse gas emissions on our environment. Californians currently pay higher prices at the pump because fuels are now included in the Cap & Trade Program, making Cap & Trade funds directly linked to transportation infrastructure. Additionally, better roads means better fuel efficiency which leads to a clear reduction in greenhouse gas emissions.

Existing funds from Vehicle Weight Fees: \$1 Billion Annually (ABx1 18, Linder)

The Vehicle Weight Fee (VWF) is a non-controversial payment made to offset the costs of damage done to our roads by heavy trucks. During the recession, VLF revenue was diverted to purposes other than road maintenance. This budget gimmick is no longer needed. It is time to put this money back toward its intended use.

Invest half of the Governor's strategic growth fund into shovel-ready roads projects: \$200 Million Annually (ABx1 13, Grove)

The state budget provides the governor with \$400 million a year for projects of his choosing. The Assembly Republican plan prioritizes safe roads and reduces this discretionary pot of money by half, freeing up \$200 million for road projects that can quickly make a difference for Californians who use cars to get around our state.

Eliminate redundancies at Cal Trans: \$500 Million annually (ABx1 15, Patterson)

We support the non-partisan Legislative Analyst Office's (LAO) recommendation to eliminate the 3,500 redundant positions at Cal Trans. The LAO reports this will not negatively impact any construction projects.

Eliminate and capture savings from vacant state positions: \$685 Million annually (ABx1 20, Gaines)

There are thousands of vacant positions in state government that remain unfilled for more than six months. Until recently, the law required that any such position be eliminated. While some positions are essential and difficult to fill, the majority are not and, in fact, are intentionally kept vacant so that state agencies can capture the money and spend it elsewhere. This money is better used fixing roads than padding state bureaucracy. Our proposal is for 25 percent of these vacant positions to be eliminated, using the savings to fund transportation projects.

Make a formal commitment in the State Budget General Fund to fund transportation: \$1 Billion annually (ABx1 14, Waldron)

The last two state budgets grew spending by \$8.1 billion and \$7.5 billion respectively. Early indications are that we will have \$4 billion more revenue next year. Despite this revenue surge, these budgets completely ignored the state's transportation needs. According to the LAO, the three-year revenue forecast is such that we can fully fund Prop. 98 and the Rainy Day Fund, and still dedicate \$1 billion annually to transportation. We propose doing this. Transportation is a top priority and must be funded as such.

+ \$2.3 billion in approved spending for 2015-16 fiscal year

= \$6.6 Billion to fund transportation projects and 90,000 jobs added to the workforce without raising taxes

FIXING OUR ROADS

#MAKEGOVWORK

3 POLICY CHANGES TO GET OUR ROADS FIXED

CEQA Relief for Highway Projects (ABx1 21, Obernolte)

Relief from abuses of the California Environmental Quality Act could reduce costs and delays associated with highway projects and move our transportation projects out of lawsuits and red tape. Under our plan, highway projects would be insulated from injunctions, like the model enacted for the Kings basketball arena. Highway projects could be expedited by prohibiting a court from staying or enjoining a project unless certain specific factors are present (threat to health and safety, Native American artifacts, etc.). If we can do it for billionaire professional sports team owners, we should be able to do it for Californians who want out of traffic gridlock and those who will be put to work on the projects. The present and future of our state economy relies on a strong transportation network that can reliably move goods and services. Building and maintaining such a network of roads, highways, and bridges should not get hung up in endless years of CEQA litigation and bureaucracy.

Foster Public-Private Partnerships (P3s) for transportation projects (ABx1 2, Olsen)

Removing the sunset on provisions authorizing the use of development lease agreements (aka “public-private partnerships” or P3s) for transportation projects will get roads fixed faster. Due to limited available funding for highway construction and maintenance, P3s are an attractive option for the state to most efficiently use limited resources to repair its deteriorating infrastructure. SB 2X 4 (Cogdill) (Chapter 2, Statutes of 2009) authorized Caltrans and regional transportation agencies to enter into an unlimited number of P3 agreements for a broad range of highway, road, and transit projects, through December 31, 2016. Deleting this sunset will maintain the flexibility for Caltrans and regional agencies to leverage private investment in project design, construction, and operation.

Get the politics out of transportation projects: Restore CTC Independence (ABx1 19, Linder)

Removing the California Transportation Commission (CTC) from the Executive Branch restores its status as an independent body. The CTC was created by the Legislature in 1978 as an independent body responsible for the programming and allocating of funds for the implementation of highway, passenger rail and transit improvements throughout California. The Governor’s Reorganization Plan No. 2 (GRP2) of 2012 changed the CTC from an independent agency to an entity within the newly created Transportation Agency. Keeping CTC under the control of the Secretary of Transportation frustrates meaningful oversight of the administration, and creates the potential for politicization of transportation funding decisions.

*<http://lao.ca.gov/reports/2014/budget/capital-outlay/capital-outlay-support-program-051414.pdf>