



**CITY OF PACIFIC GROVE**  
300 Forest Avenue, Pacific Grove, California 93950

**AGENDA REPORT**

**TO:** Honorable Mayor and Members of City Council

**FROM:** Ben Harvey, City Manager

**MEETING DATE:** February 15, 2016

**SUBJECT:** Letters of Support for AB 1 (Frazier) and SB 1 (Beall) – Transportation Funding

**CEQA:** Does not Constitute a “Project” per California Environmental Quality Act (CEQA) Guidelines Section 15378.

**RECOMMENDATION**

Authorize the Mayor to sign letters of support for AB 1 (Frazier) and SB 1 (Beall), related to transportation funding.

**DISCUSSION**

AB 1 (Frazier) and SB 1 (Beall) are two similar measures related to transportation funding that are currently being considered within the State Legislature. Both bills are supported by the League of California Cities.

Infrastructure within the City of Pacific Grove, and throughout the State of California, needs basic repair and maintenance to avoid a failure of transportation systems. These proposals could potentially create more than 500,000 jobs, and an influx of \$6 billion annually to complete statewide infrastructure repair projects on a large scale, potentially translating to faster time tables and fewer tax dollars spent per repair project.

The gas tax has remained unchanged since 1994, and due to fuel efficiency advancements, a motorist who drove 12,000 miles in 2016 paid \$101 in state per-gallon gas tax compared to the \$111 paid by a driver in 1994. To put this in perspective, if the per-gallon gas tax had been continually adjusted over the years for inflation, a driver today would be paying \$183.71 annually.

Once completely implemented, the City of Pacific Grove could potentially receive over \$500,000 annually under each of the proposals, which could help to stimulate the local economy, create job growth and improve the conditions of streets in town.

AB 1 (Frazier) and SB 1 (Beall) Bill Summary:

Existing law provides various sources of funding for transportation purposes, including funding for the state highway system and the local street and road system. These funding sources include,

among others, fuel excise taxes, commercial vehicle weight fees, local transactions and use taxes, and federal funds. Existing law imposes certain registration fees on vehicles, with revenues from these fees deposited in the Motor Vehicle Account and used to fund the Department of Motor Vehicles and the Department of the California Highway Patrol. Existing law provides for the monthly transfer of excess balances in the Motor Vehicle Account to the State Highway Account.

These bills would create the Road Maintenance and Rehabilitation Program to address deferred maintenance on the state highway system and the local street and road system. The bill would require the California Transportation Commission to adopt performance criteria, consistent with a specified asset management plan, to ensure efficient use of certain funds available for the program. The bill would provide for the deposit of various funds for the program in the Road Maintenance and Rehabilitation Account, which the bill would create in the State Transportation Fund, including revenues attributable to a \$0.012 per gallon increase in the motor vehicle fuel (gasoline) tax imposed by the bill with an inflation adjustment, as provided, an increase of \$38 in the annual vehicle registration fee with an inflation adjustment, as provided, a new \$165 annual vehicle registration fee with an inflation adjustment, as provided, applicable to zero-emission motor vehicles, as defined, and certain miscellaneous revenues. These bills contain other related provisions and other existing laws.

Bill Status (at the time the agenda report was submitted):

- SB 1 is next being heard on Feb. 14 by the Senate Transportation and Housing Committee.
- AB 1 has been double referred to Assembly committees on Transportation and Natural Resources. Hearing TBD.

Excerpt regarding SB 1 (Beall), taken from State Senator Beall's website:

“Senate Bill 1 proposes to pump an additional \$6 billion annually into road repairs and mass transit, by readjusting the state's obsolete gas tax and reform the user-pays system to ensure all motorists contribute their fair share to the maintenance of the roads. The revenue would be created by increases to taxes on gas, diesel, and vehicle fees. Among them:

- Increasing the per-gallon gas tax by 12 cents in phases over three years; 6 cents the first year to 9 cents in the second year and 12 cents in the third year. Ending Board of Equalization's annual adjustment of the price-based per-gallon gas excise tax rate to 17.3 cents. The two changes would raise \$2.9 billion annually.
- Increasing the diesel excise tax by 20 cents and the sales tax by 4 percent; raising \$853 million in revenue annually.
- Enacting an annual \$100 fee on zero-emission vehicles and increase annual registration fee for all vehicles by \$38 per vehicle, raising about \$1 billion annually.

The revenue raised under SB 1 will be shared on a 50/50 basis by the state and local governments.

The bill would return \$500 million in vehicle weight fees currently used for transportation debt service back to road maintenance. The revenue would be gradually returned in \$100 million increments over five years.

The bill calls for speeding up the repayment of \$706 million in loans made to the General Fund from various transportation-related accounts.

It also increases the Cap and Trade allocation for mass transit, doubling the current allocations for the Transit and Intercity Rail Capital Program and the Low Carbon Transit Operations Program.

SB 1 seeks up to \$70 million in Caltrans efficiencies and reserves those savings for human-powered transportation, such as bicycle and pedestrian.

Other reforms include creating the Office of Transportation Inspector General, an independent agency to ensure transportation funds are used efficiently and in compliance with laws.

SB 1 has the potential to support nearly 550,000 jobs in construction, trades, and supplies. Many of the jobs will provide a middle-class salary and provide medical benefits. In addition, the bill requires the projects funded through it must engage in pre-apprenticeship programs and include low-income and disadvantaged individuals.”

#### **OPTIONS**

1. Take no action.
2. Take alternative action.

#### **FISCAL IMPACT**

There is no fiscal impact in sending letters of Support for AB 1 (Frazier) and SB 1 (Beall).

#### **ATTACHMENTS**

1. AB 1 (Frazier) and SB 1 (Beall) Analysis provided by the League of California Cities
2. Draft Letter of Support for AB 1 (Frazier)
3. Draft Letter of Support for SB 1 (Beall)

**RESPECTFULLY SUBMITTED,**



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Ben Harvey  
City Manager

## **\$6 Billion Transportation Funding Proposals Introduced, including \$2.2 Billion for Local Streets and Roads**

As the first order of business in the new legislative session, Senator Beall and Assembly Member Frazier introduced similar transportation funding proposals on December 5, 2016, under SB 1 and AB 1, respectively. Upon full implementation, each proposal will generate approximately \$6 billion annually, with about \$2.2 billion going to local streets and roads.

These proposals present an opportunity in the new legislative session for all sides to negotiate on a comprehensive package to send to the Governor. The League of California Cities supports these proposals as a starting place for negotiations, but also understands that there is still work needed to get the necessary two-thirds vote in each legislative chamber. The League will continue to help advance the discussion and will provide cities with the tools it needs to advocate when the legislature is closer to reaching a deal.

Below, the League has summarized the key provisions in each of these proposals, as well as highlight the key differences under specific provisions:

### **Reforms**

- **Establishes local reporting requirements.** Cities and counties would be required to send the CTC a list of projects they propose to fund with Road Maintenance and Rehabilitation Account (RMRA) funds, specifying the location, description, proposed schedule, and estimated useful life for each project each fiscal year.
- **Requires cities and counties to maintain existing general fund levels for transportation funding.** The bills require cities and counties to maintain their general fund transportation levels at equal to or greater than their annual average expenditures during the 2009-10, 2010-11, 2011-12 fiscal years, which is known as a maintenance of effort requirement. The bill authorizes the State Controller's Office to audit local governments for compliance and subject local governments to reimbursing the state for non-compliance.
- **Makes permanent the National Environmental Protection Act (NEPA) delegation authority.** Permanently extends the authority for CalTrans to participate in the federal NEPA delegation pilot program, which allows projects involving federal funds to be delivered faster.
- **Promotes employment and training opportunities through preapprenticeship.** Requires state and local agencies to create programs that promote employment in advanced construction through preapprenticeship as a condition of receiving RMRA funds.
- **Incorporates "complete streets" design concept into the Highway Design Manual.** Requires Caltrans to incorporate the "complete streets" design concept into the Highway Design Manual.
- **Restores independence to the California Transportation Commission (CTC).** The bills move the CTC out from under the California State Transportation Agency, establishing it as its own entity within state government to help it fulfill its oversight role.

- **Creates the Office of Transportation Inspector General as an independent entity and office within state government.** Its role will be to ensure that all other state agencies that receive state transportation funds are operating efficiently, effectively, and in compliance with federal and state laws. The Inspector General would be appointed by the Governor to a six-year term and would have the authority to conduct audits and investigations involving state transportation funds with all affected state agencies.
- **Permanently extends and expands the limited CEQA exemption for transportation repair, maintenance, and minor alteration projects to existing roadways.** The bills delete the January 1, 2020 sunset of the existing law and expand the exemption to cities and counties with populations greater than 100,000 and apply the exemption to state roadways.
- **Creates an Advanced Mitigation program for transportation projects.** The bills authorize the Natural Resources Agency to prepare, approve, and implement advance mitigation plans for one or more planned transportation projects. An advanced mitigation plan is defined as a regional or statewide plan that estimates the potential future mitigation requirements for one or more transportation projects and identifies mitigation projects, sites, or credits that would fulfill some or all of those requirements. The Agency would be authorized to administer the program, establish mitigation banks, secure areas for the purpose of providing mitigation, and allow transportation agencies to use mitigation credits to fulfill mitigation requirements. The program's intention is to supplant existing CEQA requirements, not substitute for them.

#### **Additional Revenues (Approximate)**

- **\$1.8 billion from a 12 cent increase to the gasoline excise tax, adjusted every 3 years for inflation.** The revenue generated from this particular increase would help restore the gas tax' lost purchasing power due to inflation. The funds attributable to the 12 cent increase would be transferred to the newly created Road Maintenance and Rehabilitation Account (RMRA) for distribution.
  - **Key Difference:** SB 1 (Beall) phases in the 12 cent increase over 3 years, while AB 1 (Frazier) does not include a phase in period.
- **\$1.1 billion from ending the Board of Equalization (BOE) "true up" and resetting the rate to the historical average of 17.3 cents per gallon, adjusted every 3 years for inflation.** This provision would "reset" the priced based excise tax on gasoline to its original rate of 17.3 cents. Funds would be distributed using current formulas.
- **\$1.3 billion from a \$38 increase to the Vehicle Registration Fee, adjusted every 3 years for inflation.** After the California Department of Motor Vehicles deducts their administrative costs from imposing and collecting the fee, the funds from the increase would be deposited into the RMRA for distribution.
- **\$500 million from restoration of half the truck weight fees to transportation projects.** Restoration of truck weight fee revenue would be phased-in over a five-year period and half would no longer be allowed to be transferred out of the state highway account (SHA) after the 2020-21 fiscal years. The funds would remain in the SHA, which would prevent HUTA funds from the variable gas tax from having to offset the SHA weight fee transfer.

- **Key Difference:** SB 1 (Beall) phases in a percentage of the truck weight fees back to transportation projects, while AB 1 (Frazier) phases in specific weight fee amounts every year. SB 1 caps the weight fee transfer at 50% in FY 2020-21, while AB caps the weight fee transfer at \$500,000,000 in FY 2020-21.
- **\$600 million from a 20 cent per gallon increase to the diesel excise tax, adjusted every 3 years for inflation.** The funds attributable to the 20 cent increase to the diesel excise tax would be transferred to the Trade Corridors Improvement Fund (TCIF). Federal FAST Act funds for freight would also be deposited into the TCIF.
- **\$300 million from unallocated cap and trade funds.** This continuous appropriation of cap and trade funds would essentially double the amount going towards the Transit and Intercity Rail Capital Program (TIRCP) and the Low Carbon Transit Operations Program (LCTOP).
- **\$263 million from 3.5 Percent Increase to the diesel sales tax.** The funds generated through the additional 3.5 percent increase to the diesel sales tax would deposit \$263 million into the State Transportation Account for transit and intercity rail purposes.
  - **Key Difference:** SB 1 (Beall) would impose an additional 0.5 percent to this sales tax which would generate a \$40 million set aside for intercity rail and commuter rail.
- **\$60 million from miscellaneous transportation revenues.** The bills delete the transfer of miscellaneous revenues to the Transportation Debt Service Fund and instead redirect the funds to the RMRA.
- **\$20 million from Vehicle Registration Fee on zero emission vehicles, starting in the 2<sup>nd</sup> year of ownership, adjusted every 3 years for inflation.** Per the authors, this provision will help make up for the fact that owners of zero emission vehicles do not pay any gas tax to maintain the roads they drive on. Revenues would be deposited into the RMRA for distribution.
  - **Key Difference:** SB 1 (Beall) imposes a \$100 Vehicle Registration Fee on zero emission vehicles generating, while AB 1 (Frazier) imposes a \$165 Vehicle Registration Fee

**The revenues generated from these proposals, would provide the following allocations:**

**From the \$3.2 billion in the RMRA:**

- State Highway System - \$1.45 billion annually for maintenance and rehabilitation of the state highway system.
- Local Streets and Roads – \$1.45 billion annually for maintenance and rehabilitation of local streets and roads.
- Self-help counties – \$200 million for existing and aspiring self-help counties.
- Active Transportation Programs – \$80 million annually for Active Transportation and up to an additional \$70 million through Caltrans efficiencies.
- Advanced Mitigation – \$120 million one-time funds for implementation of the Advanced Mitigation program over the first four years.
- California State University – \$2 million for transportation research and workforce training.
  - **Key Difference:** University of California – \$3 million under AB 1 (Frazier) for the Institutes for Transportation Studies.

**From restoration/returned revenue from the HUTA:**

- State Transportation Improvement Program - \$770 million annually for capital projects and improvements on the state's highway system.
- State Highway Operation and Protection Program – \$210 million annually for maintenance and rehabilitation of the state highway system.
- Local Streets and Roads - \$770 million annually for local streets and roads.

**From Cap and Trade revenues and diesel tax increase:**

- Transit and Intercity Rail – \$563 million annually for transit and intercity rail capital projects and operations, \$40 million additionally set aside for intercity and commuter rail under SB 1 (Beall).

**From the TCIF:**

- Freight, trade corridors, and goods movement – \$600 million annually for freight, trade corridors, and goods movement.

**From loan Repayments:**

- \$706 million one-time funds for transportation loan repayment.

While not yet introduced, the League of California Cities will continue to advocate for constitutionally protecting the additional revenue for transportation purposes.

The League has prepared preliminary estimates (insert link) of the revenues each city could receive for transportation maintenance and repair under the proposal. The time for the legislature and Governor to act is now and these proposals provide a solid framework to move the discussion forward.

**\*\*\*CITY LETTERHEAD\*\*\***

**DATE**

The Honorable Jim Frazier  
Chair, Assembly Transportation Committee  
California State Capitol, Room 3091  
Sacramento, CA 95814  
FAX: (916) 319-2111

**RE: AB 1 (Frazier). Transportation Funding. (as introduced December 5, 2016)**  
**Notice of Support**

Dear Senator Beall:

The **City/Town of \_\_\_\_\_** is pleased to support your AB 1, which represents a comprehensive transportation proposal inclusive of sensible reforms, modest increases to existing revenue sources, and robust infrastructure investment. The proposal presents an opportunity for the new legislature to advance a comprehensive framework to address the overwhelming backlog of repair and deferred maintenance as well as other transportation needs in the early part of 2017.

It would be an understatement to say the time to act is now to address the \$73 billion unmet funding need for local streets and roads and \$72 billion backlog to the State's Highway System. For local streets and roads alone, the funding need grows by an additional \$20 billion in just ten years. With the expressed commitment of Legislative Leadership and this Administration to getting this done in the early parts of 2017, we urge this legislature's immediate attention to this proposal as the vehicle to deliver this victory for California.

**[Give examples of projects this funding would be used for. Talk about pavement conditions in your city.]**

When fully phased in, AB 1 would generate an additional \$6 billion annually to provide desperately needed funding for the state and local transportation network. To repair and maintain existing transportation infrastructure, the proposal would generate up to \$2.4 billion and \$2.2 billion annually for the state's highway system and local streets and roads, respectively. The bill also provides nearly \$600 million for freight and the state's trade corridors, over a half billion for transit and intercity rail, and up to \$150 million to support active transportation programs throughout the state.

The proposal takes the approach of raising revenue over a variety of sources, such as a 12 cent increase to the gas tax to restore some of its purchasing power, ending the Board of Equalization's "true up" process on the price based excise tax on gas, a \$38 increase to the vehicle registration fee, a \$100 vehicle registration fee on zero emission vehicles, a 20 cent increase to the diesel excise tax, \$300 million from existing cap and trade funds, and returning \$500 million in vehicle weight fees phased in over five years.

In addition to raising revenue, the proposal includes a series of reforms to improve efficiency, transparency, and accountability, such as restoring independence to the California Transportation Commission, creating the Office of the Transportation Inspection General with audit and investigation authority over the state's transportation spending, and establishing local reporting requirements on local transportation spending. To streamline roadwork, the bill permanently extends and expands on the limited exemptions to California's Environmental Quality Act (CEQA) for repair, maintenance, and minor

alteration projects on existing roadways to cities and counties with populations greater than 100,000 and state roadways. The proposal also creates an advanced mitigation program which authorizes the Natural Resources Agency to establish state and regional transportation mitigation plans and mitigation banks to allow transportation projects to fulfill their environmental requirements in advance.

Overall, this proposal provides a comprehensive transportation reform and funding package that picks up where we left off at the end of the special session, while giving this legislature an opportunity for early action. While the legislature has had success in recent years in balancing the state budget, we can no longer afford to ignore our most basic repair and maintenance needs if we wish to avoid systematic failure of the state's entire transportation infrastructure. There may be no better way to put Californians back to work and stimulate our economy than making the roads we and our children rely on everyday safe again.

For these reasons, the **City/Town of \_\_\_\_\_ Supports AB 1 (Frazier).**

Sincerely,

**NAME**

**TITLE**

**CITY/TOWN of \_\_\_\_\_**

cc: **Your Senator & Assembly Member**  
**Your League Regional Public Affairs Manager (via email)**  
Meg Desmond, League of California Cities, [mdesmond@cacities.org](mailto:mdesmond@cacities.org)

**\*\*\*CITY LETTERHEAD\*\*\***

**DATE**

The Honorable Jim Beall  
Chair, Senate Transportation Committee  
California State Capitol, Room 2082  
Sacramento, CA 95814  
FAX: (916) 651-4915

**RE: SB 1 (Beall). Transportation Funding. (as introduced December 5, 2016)  
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exemptions to California's Environmental Quality Act (CEQA) for repair, maintenance, and minor alteration projects on existing roadways to cities and counties with populations greater than 100,000 and state roadways. The proposal also creates an advanced mitigation program which authorizes the Natural Resources Agency to establish state and regional transportation mitigation plans and mitigation banks to allow transportation projects to fulfill their environmental requirements in advance.

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For these reasons, the **City/Town of \_\_\_\_\_ Supports SB 1 (Beall).**

Sincerely,

**NAME**

**TITLE**

**CITY/TOWN of \_\_\_\_\_**

cc: **Your Senator & Assembly Member**  
**Your League Regional Public Affairs Manager (via email)**  
Meg Desmond, League of California Cities, [mdesmond@cacities.org](mailto:mdesmond@cacities.org)