County of Santa Cruz

BOARD OF SUPERVISORS

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JOHN LEOPOLD	ZACH FRIEND	RYAN COONERTY	GREG CAPUT	BRUCE MCPHERSON
FIRST DISTRICT	SECOND DISTRICT	THIRD DISTRICT	FOURTH DISTRICT	FIFTH DISTRICT

February 23, 2016

The Honorable Governor Edmund G. Brown, Jr.
California State Capitol, Suite 1173
Sacramento, CA 95814

SUBJECT: TRANSPORTATION FUNDING MEASURE – SUPPORT

Dear Governor Brown:

On Behalf of the County of Santa Cruz Board of Supervisors, I join with the California State Association of Counties (CSAC) in strong support of a new Transportation Funding Measure for purposes of fixing California's crumbling streets, roads, bridges and highways. The funds would be split between the state, local governments, and transit agencies. We support AB 1591 (Frazier) or an alternative measure like SB x1-1 (Beall), which will put much-needed funds into our County streets and roads.

Santa Cruz County streets and roads are critical to our quality of life and economy. This year's reduction in gas tax revenue and next year's even larger reduction has and will continue to dramatically affect our basic ability to maintain the streets and roads in the County. The County has a deferred maintenance backlog of over $100 million on our local roads, and the current reduction in gas tax revenue is just worsening the situation for our residents, as well as for our commercial and agricultural businesses. It is crucial that California pass a Transportation Funding Measure this year, so local agencies and Caltrans can maintain and rehabilitate California's transportation infrastructure.
The County of Santa Cruz Board of Supervisors thanks you for your consideration of this critically important statewide issue.

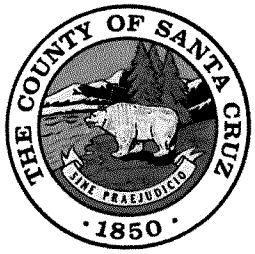
Sincerely,

Bruce McPherson

BRUCE McPHERSON, Chair
Board of Supervisors

BM:fh

cc: Senator Jim Beall
Senator Bill Monning
Assemblymember Mark Stone
Assemblymember Luis Alejo
Assemblymember Jim Frazier



County of Santa Cruz

Department of Public Works
701 Ocean Street, Room 410, Santa Cruz, CA 95060-4070
Phone:(831) 454-2160 Fax:(831) 454-2385 TDD: (831) 454-2123
John J. Presleigh, Director of Public Works

APPROVED AND FILED
BOARD OF SUPERVISORS
2/23/16
COUNTY OF SANTA CRUZ
MAURIELLO
CLERK OF THE BOARD
DEPUTY

Meeting Date: February 23, 2016

Date: February 12, 2016

To: The Board of Supervisors

From: John Presleigh, Director

Subject: Reduction in State Gas Tax and the Impact to County Streets and Roads

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The County of Santa Cruz Department of Public Works, like so many other local Public Works agencies (Cities and Counties) as well as the State Department of Transportation (Caltrans), is highly dependent on State gas tax revenues for funding a majority of operation and maintenance responsibilities on public roadway systems. Over this past fiscal year and into next fiscal year, local Public Works agencies in California are seeing significant reductions in the allocation of State gas tax revenue for maintenance purposes. In Santa Cruz County, we have already seen a cut in the gas tax of nearly $2 million in the 2015/2016 fiscal year from the previous two years, and the projection for the 2016/2017 fiscal year is for an even more significant cut (Attachment 1).

There are multiple reasons for these cuts including the reduction of the excise tax rate on gasoline by the State Board of Equalization which translates directly into less gas tax revenue for roadway maintenance purposes by both local agencies and Caltrans. The sales tax portion of the State gas tax rate that has not been indexed for inflation since 1994, which has resulted in a 40 to 50 percent reduction in the purchasing power of the gas tax revenue in today's dollars. Additionally, with the growth of the electric vehicle industry and fuel efficient vehicles and their use by California motorists, although excellent for greenhouse gas reductions and other environmental benefits, these same motorists pay no or very little in gas tax for purposes of maintaining the public streets and roads they drive on.

Over the years, most agencies like Santa Cruz County have seen continued traffic growth on its streets and roads; however the necessary funding to maintain these roadways has not kept pace. In 2014, there was an existing maintenance backlog of $78 billion of needed repairs for local agencies streets and roads, and $59 billion in deferred maintenance on State highways (Attachment 2). The $78 billion of maintenance backlog is identified from recently released report from the California State Association of Counties based on the 2014 Local Streets and Roads Needs Assessment from maintenance backlog input from both County and City Public Works agencies (Attachment 3), as well as Regional Transportation Planning Agencies.

When funding sources can be acquired through grants and other means, Public Works is extremely successful in putting these funds directly into the County pavement resurfacing program. Over the last decade, with the few State and federal grants available, Public Works was able to improve the Pavement Condition Index (PCI) up to an overall system wide rating of 55 out of 100, with a goal of moving this rating upwards each fiscal year thereafter. The PCI rating for the major arterials and collectors in Santa Cruz County was improved to over a 70 rating, because Public Works was able to maximize the use of federal transportation funds on the County's federal aid routes (federal aid routes are the major arterials and collectors in Santa Cruz County).

However, it continues to be a challenge to provide a comprehensive pavement resurfacing program for the County's other streets and roads that are not federal aid routes, such as the residential streets, minor collector roads, and rural and mountainous roads, since the gas tax revenue and grant opportunities have been so limited recently. Your Board was given an update on the State of the Pavement for Santa Cruz County by Nichols Consulting Engineers in 2013 that suggests an investment plan of upwards of $10 million a year to develop a recommended pavement resurfacing program. On average, based on available grants and with the use of past gas tax revenue; we have only been able to expend an average of $1.77 million per year for the County's road resurfacing needs since 2013.

With the large reduction in state gas tax revenues this year and what is projected for next year, the recent El Nino storm impacts and increasing traffic and further diversion of motorists to local County roadways from the State highways in Santa Cruz, Public Works is seeing a more serious pavement deterioration of the County roadway system. It is fully anticipated that the PCI on overall County roadways will fall below 50 PCI this year, and below 40 PCI in the next five years if funding doesn't improve dramatically. In discussions with other Public Works Directors throughout California, as well as with our local City Public Works Directors in Santa Cruz County, we are hearing the same urgent message about a significant crisis underway regarding local agencies ability to maintain streets and roads due to a severe lack of transportation infrastructure funding. Even local agencies with a dedicated local sales tax measure for transportation funding are struggling to maintain their transportation infrastructure, and will be seeing a deterioration of local streets and roads.

Although the Governor declared a "Special Session" on Transportation Funding in California last fall, Public Works continues to be concerned that the State Legislature will not take any action to move forward with any type of urgency in passing a new transportation funding measure, especially during an election year. In discussions with California State Association of Counties (CSAC) staff, it is apparent that serious and continued advocacy is needed statewide to promote a transportation funding proposal. Attachment 4 includes a February 5, 2016, memorandum from the Metropolitan Transportation Commission that outlines funding proposal AB1591 (Frasier) and SB x1-1 (Beall) that would generate the most revenue for local streets and roads; therefore Public Works strongly supports the passage of one of these two transportation funding proposals. At this time, we are asking your Board to continue to advocate through our State elected representatives and the Governor's office for one of these transportation funding proposals and any other advocacy that supports a sustainable funding source for local agency

streets and roads. We have included a letter of support (Attachment 5) and a resolution (Attachment 6) for the Board Chair's signature urging the Governor's office, with copies to our State elected representatives, in support on a new sustainable transportation funding proposal. At the staff level, Public Works will also continue to work with CSAC staff, the County Engineers Association of California, and the League of California Cities in advocating for a new transportation funding measure in California.

It is therefore recommended that your Board direct the Board Chair to submit a letter of support including a resolution for a new sustainable transportation funding proposal to the Governor's office, with copies to our State elected representatives.

Submitted by:

John Fresleigh, Director 2/12/2016

Recommended:

Susan A. Mauriello, County Administrative Officer

Attachments:

a Santa Cruz Highway User Tax Funding
b Attachment 2 Editorial California's Evaporating Gas Tax
c Attachment 3 Local Street and Roads Report Outlines $78 Billion in Need
d Attachment 4 February 5, 2016, MTC Memorandum
e Attachment 5 Transportation Funding Measure - Supporting Letter
f Attachment 6 Resolution for Transportation Infrastructure

Copy to: City Managers and Public Works Directors in Santa Cruz County
Santa Cruz County Regional Transportation Commission
Senator Bill Monning
Assemblyperson Mark Stone
Assemblyperson Luis Alejo
Governor's Office
California State Association of Counties

Attachment 6

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 39-2016

On the motion of Supervisor Coonerty
duly seconded by Supervisor Leopold
the following resolution is adopted:

A RESOLUTION URGING THE STATE TO PROVIDE NEW SUSTAINABLE FUNDING FOR STATE AND LOCAL TRANSPORTATION INFRASTRUCTURE

WHEREAS, Governor Edmund G. Brown, Jr. has called a Special Session to address the immense underfunding of California's transportation infrastructure; and

WHEREAS, cities and counties own and operate more than 81 percent of streets and roads in California, and from the moment we open our front door to drive to work, bike to school, or walk to the bus station, people are dependent upon a safe, reliable local transportation network; and

WHEREAS, the County of Santa Cruz has participated in efforts with the California State Association of Counties, League of California Cities, and California's Regional Transportation Planning Agencies to study unmet funding needs for local roads and bridges, including sidewalks and other essential components; and

WHEREAS, the resulting 2014 California Statewide Local Streets and Roads Needs Assessment, which provides critical analysis and information on the local transportation network's condition and funding needs, indicates that the condition of the local transportation network is deteriorating as predicted in the initial 2008 study; and

WHEREAS, the results show that California's local streets and roads are on a path of significant decline. On a scale of zero (failed) to 100 (excellent), the statewide average pavement condition index (PCI) is 66, placing it in the "at risk" category where pavements will begin to deteriorate much more rapidly and require rehabilitation or rebuilding rather than more cost-effective preventative maintenance if funding is not increased; and

WHEREAS, the results show that the County of Santa Cruz's local streets have a statewide average pavement index of below 50, placing them in the "poor" category; and

WHEREAS, if funding remains at the current levels, in 5 years, the County of Santa Cruz local streets and roads in California will be in a "failed" condition; and

WHEREAS, cities and counties need an additional $1.7 billion just to maintain a status quo pavement condition of 66, and much more revenue to operate the system with Best Management Practices, which would reduce the total amount of funding needed for maintenance in the future; and

WHEREAS, models show that an additional $3 billion annual investment in the local streets and roads system is expected to improve pavement conditions statewide from an average "at risk" condition to an average "good" condition; and

WHEREAS, if additional funding isn't secured now, it will cost taxpayers twice as much to fix the local system in the future, as failure to act this year will increase unmet funding needs for local transportation facilities by $11 billion in five years and $21 billion in ten years; and

WHEREAS, modernizing the local street and road system provides well-paying construction jobs and boosts local economies; and

WHEREAS, the local street and road system is also critical for farm to market needs, interconnectivity, multimodal needs, and commerce; and

WHEREAS, police, fire, and emergency medical services all need safe reliable roads to react quickly to emergency calls and a few minutes of delay can be a matter of life and death; and

WHEREAS, maintaining and preserving the local street and road system in good condition will reduce drive times and traffic congestion, improve bicycle safety, and make the pedestrian experience safer and more appealing, which leads to reduce vehicle emissions helping the State achieve its air quality and greenhouse gas emissions reductions goals; and

WHEREAS, restoring roads before they fail also reduces construction time which results in less air pollution from heavy equipment and less water pollution from site run-off; and

WHEREAS, in addition to the local system, the state highway system needs an additional $5.7 billion annually to address the state's deferred maintenance; and

WHEREAS, in order to bring the local system back into a cost-effective condition, at least $7.3 billion annually in new money going directly to cities and counties; and

NOW, THEREFORE, BE IT RESOLVED THAT THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA CRUZ strongly urges the Governor and Legislature to identify a sufficient and stable funding source for local street and road and state highway maintenance and rehabilitation to ensure the safe and efficient mobility of the traveling public and the economic vitality of California.

RESOLVED FURTHER, that the COUNTY OF SANTA CRUZ strongly urges the Governor and Legislature to adopt the following priorities for funding California's streets and roads.

1. **Make a significant new investment in transportation infrastructure.** Any package should seek to raise at least $6 billion annually and should remain in place for at least 10 years or until an alternative method of funding our transportation system is agreed upon.

2. **Focus on maintaining and rehabilitating the current system.** Repairing California's streets and highways involves much more than fixing potholes. It requires major road pavement overlays, fixing unsafe bridges, providing safe access for bicyclists and pedestrians, replacing storm water culverts, as well as operational improvements that necessitate the construction of auxiliary lanes to relieve traffic congestion choke points and fixing design deficiencies that have created unsafe merging and other traffic hazards. Efforts to supply funding for transit in addition to funding for roads should also focus on fixing the system first.

3. **Equal split between state and local projects.** We support sharing revenue for roadway maintenance equally (50/50) between the state and cities and counties, given the equally-pressing funding needs of both systems, as well as the longstanding historical precedent for collecting transportation user fees through a centralized system and sharing the revenues across the entire network through direct subventions. Ensuring that funding to local governments is provided directly, without intermediaries, will accelerate project delivery and ensure maximum accountability.

4. **Raise revenues across a broad range of options.** Research by the California Alliance for Jobs and Transportation California shows that voters strongly support increased funding for transportation improvements. They are much more open to a package that spreads potential tax or fee increases across a broad range of options, including fuel taxes, license fees, and registration fees, rather than just one source. Additionally, any package should move California toward an all-users pay structure, in which everyone who benefits from the system contributes to maintaining it – from traditional gasoline-fueled vehicles, to new hybrids or electric vehicles, to commercial vehicles.

5. **Invest a portion of diesel tax and/or cap & trade revenue to high-priority goods movement projects**. While the focus of a transportation funding package should be on maintaining and rehabilitating the existing system, California has a critical need to upgrade the goods movement infrastructure that is essential to our economic well-being. Establishing a framework to make appropriate investments in major goods movement arteries can lay the groundwork for greater investments in the future that will also improve air quality and reduce greenhouse gas emissions.

6. **Strong accountability requirements to protect the taxpayers' investment.** Voters and taxpayers must be assured that all transportation revenues are spent responsibly. Local governments are accustomed to employing transparent processes for selecting road maintenance projects aided by pavement management systems, as well as reporting on the expenditure of transportation funds through the State Controller's Local Streets and Roads Annual Report.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this 23rd day of February, 2016, by the following vote:

AYES: SUPERVISORS Leopold, Friend, Coonerty, Caput, McPherson

NOES: SUPERVISORS None

ABSENT: SUPERVISORS None

BRUCE McPHERSON
Chairperson of said Board

ATTEST: SUSAN GALLOWAY
Clerk of said Board

Approved as to form:

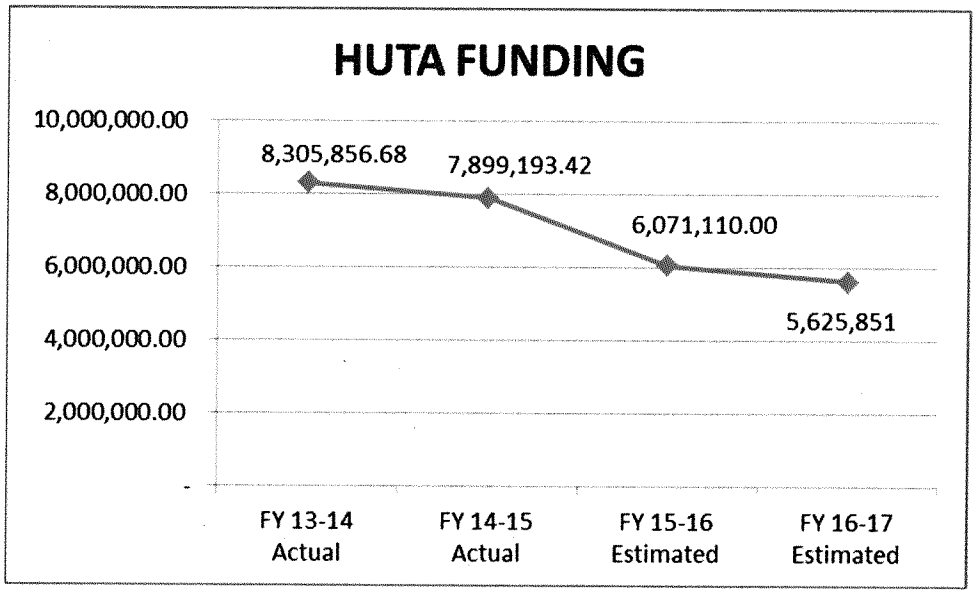
Office of County Counsel

Distribution: County Counsel
Public Works

STATE OF CALIFORNIA)
COUNTY OF SANTA CRUZ) ss
I, SUSAN A. MAURIELLO, County Administrative Officer and ex-officio Clerk of the Board of Supervisors of the County of Santa Cruz, State of California do hereby certify that the foregoing is a true and correct copy of the resolution passed and adopted by and entered in the minutes of the said board. In witness whereof I have hereunto set my hand and affixed the seal of the said Board on 2/23 20 16.
SUSAN A. MAURIELLO, County Administrative Officer
By _____ Deputy

Santa Cruz County Highway User Tax Funding (Gas Tax Revenue)

County governments depend on Highway User Tax (HUTA) funds to provide for the operation and maintenance of our local roads. The funding for Santa Cruz County has been decreasing because of the downward adjustments in the excise tax on a gallon of gas, more fuel efficient cars, and there has been no increase on a portion of the gas tax since 1994 to account for annual inflation. Our most recent HUTA funding years saw declines as shown in the chart below, and it is estimated we will see a further reduction of around $500,000 in funding for the 2016/2017 fiscal year.



Opinion / Editorial

Editorial California's evaporating gas tax

A Caltrans maintenance supervisor walks along a portion of a southbound 5 Freeway onramp where potholes and cracks are common on June 5, 2015. (Los Angeles Times)

By The Times Editorial Board · Contact Reporter

FEBRUARY 3, 2016, 5:00 AM

Californians can't win. Just when Congress finally approves a long-delayed transportation bill that guarantees five years of federal funding for road, bridge and transit projects, state officials announce that they'll have to slash funding over the next five years for the same kinds of vital infrastructure investments.

Last month, the California Transportation Commission said the state would cut transportation funding by $754 million — a 38% decrease. Why? Because revenue from the state's levies on gasoline sales, which provide much of that funding, plummeted as gas prices dropped and more fuel-efficient vehicles proliferated. Those falling prices cut the state's gas excise tax revenue from 18 cents a gallon two years ago to 12 cents last year, and revenue is expected to sink to 10 cents in July. Every penny in revenue lost per gallon means a $140-million drop in transportation funding.

As a result, not only will no new projects be funded, but more than 200 projects already in development also would be de-funded or delayed. In Los Angeles County, for example, the cut could

jeopardize the purchase of new light-rail cars, the construction of a pedestrian bridge at the Burbank Airport Metrolink station, and the widening of State Route 138 in the Antelope Valley.

California is already behind on basic maintenance of the state's existing transportation infrastructure. Caltrans has deferred $59 billion worth of highway and bridge repairs. Cities and counties face an even bigger bill, needing $78 billion to return local streets to good condition. Now, lawmakers' failure to come up with a reasonable, forward-looking funding plan means that the state won't be investing enough in the transportation system either.

It's not as if they didn't have the chance. Last year, Gov. Jerry Brown called a special session to come up with a way to pay for more transportation projects. Democratic leaders, along with Brown, have proposed raising fuel taxes between six and 22 cents a gallon and imposing a new highway user fee that would apply to all vehicles, including electric cars not subject to the gas tax. But Republican leaders have opposed tax increases, citing the state's budget surplus.

It's foolish to count on a temporary revenue surge to solve the state's long-term transportation funding problem. Even if gas prices climb again, the trend toward gas-sipping and alternative-fuel vehicles will continue to eat away at the taxes that have traditionally paid for transportation improvements — at both the federal and state levels. California is developing a pilot project to test a new model — charging drivers based on how many miles they drive, rather than the gas they use. But that option could be as much as a decade away. In the meantime, California lawmakers ought to raise taxes and fees enough to keep the roads and bridges from crumbling.

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A version of this article appeared in print on February 03, 2016, in the Opinion section of the Los Angeles Times with the headline "The evaporating gas tax" — Today's paper | Subscribe

This article is related to: Opinion, Editorials, Jerry Brown, Taxation, California State Legislature, Highway and Road Transportation, California Department of Transportation

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Local Streets and Roads Report Outlines $78 Billion in Need

Average Road Conditions Continues to Decline

If all politics are local, there is nothing more local for elected officials to work on than potholes. The problem is, while potholes may be as local as you can get, two-thirds of the dollars set aside to fix them come from a variety of state and federal sources. So while the need to fix potholes, and maintain local streets, roads and bridges has continued to grow, the money to pay for those projects has shrunk due to inflation, a stagnating gas tax and to some degree, by the growth of alternative fueled vehicles whose drivers do not pay gas taxes even though they use the roads.

That's the gist of the 2014 Local Streets and Roads Needs Assessment. CSAC and the League of California Cities, along with our regional transportation planning partners, jointly released the report today. You can read more in **this news release**, and the **full report is available here**. The website also features an interactive map that lets users hover over their county to find the average condition of their pavement surfaces and other important information about the state of local streets and roads.

The average condition of local streets and roads, known as the Pavement Condition Index (PCI) stands at 66 out of 100. That is in the "at risk" category. Six-percent of our roads are in failing condition, and there is a backlog of about $78 billion dollars in deferred maintenance to local streets, roads and bridges. If we don't change the way we pay for repairs and maintenance, that backlog will continue to grow, and by 2024, 25-percent of local streets and roads will be in failing condition.

The gas tax has not changed since 1994, and is woefully behind the increase in construction costs, inflation, and increased use of the system. Increasing that revenue source is one possible solution, but as we are seeing now, it is not sustainable in the long term. As more alternative fueled vehicles come on the roads, gas tax revenue will drop even more compared to vehicle miles-travelled. The solution is really a mix of new revenue streams, and CSAC is not advocating one over the other. The solution is mostly up to the Legislature and Governor.

The Local Street and Roads Needs Assessment is designed to do exactly what its name implies: detail the need, so policy makers can craft a solution that makes sense.

METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3b
Joseph P. Bort MetroCenter
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Memorandum

TO: Legislation Committee

DATE: February 5, 2016

FR: Executive Director

W. I. 1131

RE: AB 1591 (Frazier) Transportation Funding Proposal

Background

As reported to this committee last month, Assembly Transportation Committee Chair Frazier has authored AB 1591, a bold transportation funding package that raises over $7 billion in annual state transportation funding, more than doubling current state revenue dedicated to transportation infrastructure. The proposal directs the vast majority of the funds to roadway repairs, consistent with Governor Brown and Senate Transportation and Housing Committee Chairman Beall's "fix it first" focus, but also creates a new ongoing funding stream for goods movement ($1.2 billion), public transit ($200 million) and a new state-local partnership program ($228 million) to incentivize more counties to adopt a sales taxes for transportation, as shown below.

Table 1: Comparison of Transportation Proposals by Category of Expenditure

	AB 1591 (Frazier) (In millions)	**Governor's Proposal* (In millions)**	**SB x1-1 (Beall) (In millions)**
Local Streets & Roads	$2,170	$1,010	$1,917
State Highways	$3,170	$1,610	$1,917
Transit Improvements	$200	$-	$-
Trade Corridors	$1,240	$200	$300
State-Local Partnership Program	$228	$250	$200
Totals	**$7,008**	**$3,070**	**$4,334**

*Excludes one-time funding from Cap and Trade and loan repayments.

Recommendation: Support and Seek Amendments

Discussion

We thank Chairman Frazier for proposing a funding package of this magnitude — large enough to make a significant dent in the $137 billion deferred maintenance backlog for state and local road repairs, as well as providing funding for public transit and goods movement-related projects. Rather than belabor the need for these funds, which is well established, the remainder of this memo details how the bill proposes to spend the new funds. For details on the new revenue sources, see Attachment 1.

Overview of New Programs and Requirements

Road Maintenance and Rehabilitation Account Similar to SB x1-1 (Beall) and the Brown Administration's proposal, the bill establishes the Road Maintenance and Rehabilitation Account (RMRA) to fund both local and state roadway repairs. All of the gasoline excise tax and the registration fee revenue are deposited in this account for a combined $4.6 billion/year. Funds in the RMRA are first dispersed to cover the Controller and the California Transportation Commission (CTC)'s administrative costs associated with the program. Notably, this amount is not capped. Given the huge amount of revenue available, a cap of 0.1% —equivalent to $4.6 million based on current revenue estimates — for the combined administrative costs would seem prudent and more than reasonable.

After the administrative costs, 5 percent of remaining RMRA funds (approximately $228 million, assuming 0.1% in administrative costs) are set-aside for a new program to incentivize more counties to enact transportation sales taxes, discussed below. The remainder are split 50/50 between local roads (distributed to cities and counties based on the same formula as existing gas tax subventions) and for maintenance and rehabilitation of the state highway system.

To qualify for these local road funds, cities and counties are required to maintain their existing commitment of local funds for street and road purposes based on an average of their general fund expenditures during FY 2009-2012. The bill limits expenditures to:

- Projects that reduce deterioration of the existing roadway system (including, but not limited to, safety projects to reduce fatalities and improvements to drainage and traffic control devices)
- Projects that satisfy the local match requirement for state or federal funds "for similar purposes."
- Active transportation and bicycle and pedestrian safety projects in conjunction with any other allowable project.

The bill permits a local jurisdiction to use its RMRA funds for "other transportation priorities" if it has a pavement condition index (PCI) at or above 85. With an average PCI of 66 in the Bay Area, all but a handful of the region's jurisdictions would not have this option in the near term.

State-Local Partnership Program The new 5 percent program to incentivize self-help counties rewards qualifying counties with additional funds for road maintenance and rehabilitation purposes only. Funds remaining unallocated on the last day of the fiscal year are returned to the RMRA for 50/50 distribution to the state and cities and counties. Notably, the program is limited to counties *without* existing voter-approved transportation sales taxes, a provision that excludes all Bay Area counties except Solano. Given a number of Bay Area counties' interest in approving new sales taxes this November, staff recommends broadening eligibility to *any* local jurisdiction (including cities) that approves transportation sales tax after July 1, 2016. In addition, staff recommends that the revenue sources be broadened to include *any* voter approved tax or fee increase designated for transportation, including, but not limited to, bridge tolls, parcel taxes, and vehicle registration fees. Lastly, the bill leaves many aspects of this program unclear, including its name. Who administers the funds? How are funds distributed — by formula or through a competitive program? These key questions should be clarified.

Goods Movement The bill revives the Trade Corridor Improvement Fund (TCIF), originally established by Proposition 1B in 2006, providing it with 20 percent of Cap and Trade funds on an ongoing basis (approximately $400 million per year), along with 100 percent of the diesel tax

increase, for a combined $1.2 billion per year. With respect to the Cap and Trade portion of the funds, all projects would be required to reduce greenhouse gas emissions. The bill broadens the TCIF-eligible projects to include truck parking and system efficiency improvements. With respect to project selection, as under Proposition 1B, the CTC selects the projects. A technical amendment is needed with respect to how the funds are allocated across the state. The bill currently requires CTC to allocate funds consistent with a statute specific to Proposition 1B that contains minimum dollar amounts for each region, an approach that doesn't make sense for an ongoing program. Instead, the bill should provide for minimum regional *shares*, consistent with the shares in Proposition 1B.

The bill requires CTC to prioritize TCIF funds for projects that demonstrate one of more of the following:

- Address the state's most urgent needs
- Balance demands at land ports of entry, seaports and airports
- Provide reasonable geographic balance between regions
- Leverage public and private funds
- Improve mobility while reducing emissions

Public Transit The bill doubles the share of Cap and Trade funds to be invested in the Transit and Intercity Rail Capital Program from 10 to 20 percent. This is a competitive program for which the Bay Area has many strong candidate projects, including expansion of SFMTA and AC Transit's fleet, BART's train control system and the BART extension to Silicon Valley, among others.

Summary
By proposing a major infusion of new revenue focused on road repairs, goods movement and public transit, AB 1591 would substantially improve the condition and mobility of the state's transportation system. For these reasons, staff recommends a support and seek amendments position on the bill, with the following proposed amendments:

- Cap the Controller and CTC's administrative costs at no more than 0.1 percent of RMRA funds per year.
- Broaden the state-local partnership program eligibility to all local government entities that have passed transportation revenue measures after July 1, 2016.
- Require the CTC to adopt new guidelines for the TCIF
- Restore the variable rate excise tax to 17.3 cents/gallon, its original rate (for details, see attached).

Known Positions

Support
Alameda Corridor-East Construction Authority
Silicon Valley Leadership Group
Bay Area Congestion Management Agency Association

Oppose
None on file

Steve Heminger

Attachment: Summary of Revenue Provisions in AB 1591 (Frazier)

SH: rl
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Summary of Revenue Provisions in AB 1591 (Frazier)*

Revenue Type	Proposed Change	Annual Revenue Estimated
Gasoline tax increase	22.5 cents/gallon	$ 3,300
Diesel tax increase	30 cents/gallon	$ 840
New Cap and trade funding	30%	$ 600
Weight fee restoration	Restore truck weight fees to SHA	$ 1,000
Vehicle registration fee increase	$38	$ 1,254
Electric Vehicle fee increase	$165	$ 16
Total		**$ 7,010**

* **Note:** It is somewhat ambiguous how (if at all) AB 1591 would modify the variable portion of the gas tax. Under the Gas Tax Swap of 2010, the rate was set at 17.3-cents/gallon, with a provision that it would be adjusted by the Board of Equalization every year so as to provide revenue neutrality with the amount of revenue that would have been raised by the sales tax on gasoline. While the rate reached a high of 21.5-cents/gallon in 2013, in July 2015 the BOE reduced it to 12-cents per gallon due to the precipitous drop in the price of gasoline. This huge funding cut requires a 37 percent cut to the five-year State Transportation Improvement Program (STIP), which is funded solely by the variable rate gas tax. Overall, 44% of the funds are distributed to cities and counties for local streets and roads, 44% for the STIP and 12% for the State Highway Operation and Protection Program (SHOPP), for highway rehabilitation and safety projects. Staff recommends pursuing an amendment to ensure that this portion of the gas tax is restored to at least 17.3-cents/gallon to avoid major cuts to the STIP, and indexed thereafter to adjust for inflation, rather than the price of fuel.

THE HONORABLE GOVERNOR EDMUND G. BROWN, JR.
California State Capitol
Sacramento, CA 95814

SUBJECT: TRANSPORTATION FUNDING MEASURE – **SUPPORT**

Dear Governor Brown:

On Behalf of the County of Santa Cruz Board of Supervisors, I join with the California State Association of Counties (CSAC) in strong support of a new Transportation Funding Measure for purposes of fixing California's crumbling streets, roads, bridges and highways. The funds would be split between the state, local governments, and transit agencies. We support AB 1591 (Frazier) or an alternative measure like SB x1-1 (Beall), which will put much needed funds into our County streets and roads.

Santa Cruz County streets and roads are critical to our quality of life and economy. This year's reduction in gas tax revenue and next year's even larger reduction has and will continue to dramatically affect our basic ability to maintain the streets and roads in the County. The County has a deferred maintenance backlog of over $100 million on our local roads and the current reduction in gas tax revenue is just worsening the situation for our residents, as well as for our commercial and agricultural businesses. It is critically important that California pass a Transportation Funding Measure this year so local agencies and Caltrans are able to maintain and rehabilitate California's transportation infrastructure.

The County of Santa Cruz Board of Supervisors thanks you for your consideration of this critically important statewide issue.

Yours truly,

BRUCE MCPHERSON, CHAIR
Board of Supervisors

Copy to: Senator Jim Beall
Senator Bill Monning
Assemblymember Mark Stone
Assemblymember Luis Alejo

48

Susan Galloway

To: BOS Group
Subject: RE: A new comment has been posted to your Web Portal

From: MinuteTraq Notifications [mailto:NoReply@IQM2.com]
Sent: Friday, February 19, 2016 2:06 PM
Subject: A new comment has been posted to your Web Portal

The user stevepiercy has posted a comment on Legislative File 1802: Adopt resolution urging the state to provide new sustainable funding for state and local transportation infrastructure, and request the Chair to submit letters of support for a new sustainable transportation funding measure to state legislators and the Governor's office, as recommended by the Director of Public Works.

Comment: I support this resolution.

Link to the Discussion: http://SantaCruzCountyCA.IQM2.com/Citizens/Detail_LegiFile.aspx?ID=1802