

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 15, 2015
10:30 a.m.

To: Board of Supervisors

From: County Executive's Office

Subject: Adopt Resolution Urging The State To Provide New Sustainable Funding For State And Local Transportation Infrastructure

Supervisory District(s): All

Contact: Natasha M. Drane, Governmental Relations and Legislative Officer, (916) 874-4627

Overview

On June 16, 2015 Governor Edmund G. Brown, Jr. called a special legislative session dedicated to fixing California's roads and highways. The Sacramento County Board of Supervisors (Board) does not have applicable policies that would allow County staff and legislative advocates to engage in current or future state transportation funding dialogues on behalf of the Board.

Recommendation

Adopt the attached resolution urging the state to provide new sustainable funding for state and local transportation infrastructure and direct staff to amend Board state and federal legislative policies to reflect the recommendations outlined in the resolution.

Measures/Evaluation

Not applicable.

Fiscal Impact

Potentially significant increased funding to Sacramento County for transportation infrastructure if the Legislature passes legislation to provide additional revenues or reallocate existing revenues to counties and cities. According to California State Association of Counties (CSAC) estimates, SBx1 1 (Beall) would provide roughly \$56.1 million annually or \$562 million over ten years to Sacramento County. (**Attachment 1**)

BACKGROUND

On June 16, 2015 Governor Edmund G. Brown, Jr. announced that he and legislative leadership struck a budget deal and that he was calling a special legislative session dedicated to fixing California's roads and highways. The Governor's January budget proposal hinted at the Governor's desire to address the need for greater transportation infrastructure investment and as the budget deal came together by June no major work had been done toward this goal. The

Governor's June 16 special session proclamation states that "California faces considerable challenges in its ability to fund crucial maintenance and repair of its core transportation infrastructure—state highways, local streets, roads and bridges—and current resources do not adequately support the maintenance of this vast system." For these reasons the Governor called of the convening of the legislature in extraordinary session to "enact pay-as-you-go, permanent and sustainable funding."

DISCUSSION

Where does transportation infrastructure funding come from? (**Attachment 2**) The FY 2015-16 state budget includes \$5.6 billion in state transportation revenues for state highways and roads. According to the Legislative Analyst's Office, about seventy-five percent of the \$5.6 billion comes from state excise taxes on gasoline. The remaining twenty-five percent comes from an excise tax on diesel fuel and from vehicle weight fees. There are three excise taxes collected on regular fuel, the state base excise tax and state and federal variable excise taxes. The state collected base excise tax is set at 18 cents per gallon, which in FY 2015-16 generated \$2.5 billion. One-third, or about \$800 million in FY 2015-16, of this funding is allocated to cities and counties for local streets and roads. The state also collects a variable excise tax on gasoline. The Board of Equalization (BOE) is responsible for setting the rate for this tax. The FY 2015-16 rate is 12 cents, generating about \$1.7 billion. The first \$1 billion in state variable excise tax goes to backfill a loss of weight fee revenue and is deposited in the State Highway Account (SHA). The remaining revenue is allocated between cities and counties (44 percent), State Transportation Improvement Program (STIP) (44 percent) and State Highway Operation and Protection Program (SHOPP) (12 percent). Diesel fuel is also taxed. A sales tax of 6.5 percent is collected and the state and federal governments also charge an excise tax of 13 cents and 24.4 cents respectively. The state collected diesel excise tax is variable and set by the BOE and will generate about \$440 million in FY 2015-16. Six cents of this tax is allocated to cities and counties and the rest goes to the state. Finally, weight fees are also charged by the state and these fees generate about \$1 billion annually. The Brown Administration has used these weight fees to backfill ongoing debt-service payments of \$1.3 billion on transportation general obligation bonds.

Revenues for local streets and roads are also generated locally by voter-approved sales tax measures. Sacramento County voters approved Measure A in 1988, which created the Sacramento Transportation Authority (STA) and imposed a countywide one-half percent sales tax to be levied over twenty years. This approved Measure A revenue is used to fund Sacramento County regional transportation project needs. STA placed "new" Measure A on the ballot in 2004 to renew the one-half percent sales tax gaining more than seventy-five percent voter approval. Measure A is expected to generate about \$16.6 million in FY 2014-15.

Overview of state and local infrastructure needs. Funding shortfalls for transportation infrastructure investments are vast at both the state and local level. According to the Ten-Year State Highway Operation and Protection Program Plan (SHOPP Plan) State Highway System (SHS) needs annually equate to \$8.2 billion for rehabilitation and maintenance of the state system. Only about \$2 billion of this annual need is funded, leaving a \$6 billion funding hole at the state level every year contributing to the decline of the SHS.

The California Local Streets and Roads Needs Assessment (**Attachment 3**) is conducted biennially and identifies local transportation infrastructure funding needs. The needs assessment finds that local streets and roads—making up 81 percent of the state’s roads—“are rolling toward a cliff’s edge” with the statewide average Pavement Condition Index (PCI) pegged at 66, putting California’s local streets and roads in the “at risk” range. To be in “good” standing, the PCI would have to fall in the 71-100 range and for “poor” conditions the range is 0-49. The assessment argues that it costs more to fix roads that are in disrepair than infrastructure that is maintained regularly. The assessment finds that \$7.8 billion dollars annually is needed to bring the local system back into a cost-effective condition. Local governments are receiving far less funding than is needed to maintain current infrastructure conditions, putting the condition of local streets and roads in further decline. To maintain the existing at-risk condition, cities and counties need \$3.3 billion per year, but are receiving far less. The \$1.66 billion local governments receive annually is simply inadequate and is propelling cities and counties’ streets and roads toward poor status.

Sacramento county transportation infrastructure conditions and funding needs. The Local Streets and Roads Needs Assessment measures the PCI on a scale of good (71-100), at low risk (61-70), at higher risk (50-60), and poor (0-49). Much of Sacramento County’s streets and roads in the unincorporated area fall in the “at higher risk” PCI just above “poor,” which is the lowest ranking in the PCI range (**Attachment 4**). According to Michael Penrose, the director of the Sacramento County Department of Transportation, the County needs \$1.5 billion in additional revenues to address the failing local infrastructure and bring it into a state of good repair. This includes bike lanes and sidewalks that are critical to active transportation options. When taking into account the conditions of streets and roads of cities within the County, Sacramento County’s overall ranking is 62 or “at lower risk.” The Cities of Elk Grove, Rancho Cordova, Folsom, and Galt all have a PCI in the “good” range, which is the highest ranking. The Cities of Citrus Heights and Sacramento have an “at low risk” PCI.

Special session, SBx1 1 (Beall), and other proposals. The transportation funding shortfall at the federal, state and local levels is widely acknowledged and is one of the reasons Governor Brown has declared it a priority by calling a special session to find solutions that address this critical need. Since calling the special session in June, several legislative proposals have been introduced. Perhaps most noteworthy is Senate Bill 1 in the Extraordinary Session (SBx1 1) authored by Senator Jim Beall (**Attachment 5**). This measure is intended to be a comprehensive solution to the funding shortfall of transportation infrastructure. Senator Beall, in a Senate Transportation and Infrastructure Development Committee hearing, stated that the bill will provide a “much needed funding plan to address the backlog of infrastructure needs.” The proposal raises \$6 billion toward transportation funding by increasing the gasoline excise tax by 12 cents, increasing the diesel excise tax by 22 cents, creating the road access charge of \$35 per vehicle annually, increasing the vehicle registration fee by \$35 per vehicle annually and adding an additional \$100 for zero-emission vehicles. The revenues generated from these tax increases and new fees would be deposited into the Road Maintenance and Rehabilitation Program, a new fund established by the bill. Most of the new revenues must be spent on road maintenance, rehabilitation and safety projects. According to a Senate Transportation and Infrastructure Development Committee analysis, the funding is constitutionally protected, must be used for transportation purposes, and cannot be borrowed by the Legislature.

Assembly Speaker Toni Atkins announced in February a transportation plan “to increase transportation infrastructure funding to improve safety and efficiency on California’s highways, bridges, and roads.” The plan would raise \$10 billion over five years primarily with a new road user charge of \$52 per year. The Speaker has not yet introduced legislative language that outlines this plan. According to the California State Association of Counties (CSAC), Speaker Atkins will likely consider introducing a broader proposal before September 11, 2015, which is the end of the legislative year.

The Assembly Republican Caucus announced on June 29, 2015 its \$6.6 billion nine-point plan to “fund transportation infrastructure and fix our roads with existing resources.” (**Attachment 6**) The plan calls for dedicating existing revenues to transportation such as, cap-and-trade, vehicle weight fees, and the Governor’s strategic growth fund. The proposal also suggests eliminating 3,500 California Department of Transportation (CalTrans) positions believed to be redundant as well as other specified vacant state positions. Finally, the proposal suggests that \$1 billion come from the state General Fund.

Stakeholder positions. Fix our Roads is a broad coalition of transportation stakeholders including local governments, business, labor and transportation advocates. CSAC and the League of California Cities (League) are members of this coalition and are advocating “a responsible, accountable solution to fix our roads.” (**Attachment 7**) The group is coalescing behind several priorities including: 1) making a significant investment in transportation infrastructure; 2) maintaining and rehabilitating the current system; 3) investing a portion of the diesel tax as well as cap-and-trade revenue to high-priority goods movement projects; 4) raising revenues across a broad range of options; 5) fifty-fifty split of transportation revenues between state and local governments; 6) assurances that taxpayer dollars will be spend responsibly; and, 7) more consistent funding levels. The Coalition’s lobbyist, in testimony before the Senate Transportation and Infrastructure Development Committee on August 19, 2015, offered support of Senator Beall’s SBx1 1 testifying that the bill is consistent with the coalition’s principles. Several other stakeholders were listed in the committee analysis in support including transit agencies, engineering firms, and individual cities and counties.

Also at the hearing were a few stakeholders in opposition including the Howard Jarvis Taxpayer’s Association. The association’s lobbyist, David Wolfe, testified that “...this measure, if approved, would leave us, without question, with the highest fuel taxes in the nation, approaching at least seventy cents per gallon...The problem is not just with what this bill does, but what it doesn’t do. This bill does nothing but tax, and tax, and tax.”

Political nuances. The end of the 2015 legislative year is fast approaching and the transportation funding special session is rumored to close at the same time. However, it is still not clear how the political differences between democrats and republicans on transportation funding will be resolved. Any proposal that increases taxes or generates a new fee requires a two-thirds super majority vote. This means that if every democrat in the Assembly and Senate are supportive of a funding package, at least two republicans in the Assembly and one republican in the Senate would have to vote for the package. Passing a funding bill this year is by no means a “slam dunk” though CSAC and the Fix Our Roads coalition are optimistic that the Legislature will see past its political differences and adopt a comprehensive funding package.

Sacramento County Board of Supervisors' Policies. The Sacramento County Board of Supervisors (Board) annually adopts State and Federal Legislative Policies and Procedures. (**Attachment 8**) These policies and procedures guide County staff decision making on legislative proposals introduced in the California Legislature and Congress. The Board's 2015 State Legislative Policies and Procedures are silent on transportation issues, but provide guidance on how to handle county revenues. These policies authorize support for distributing adequate shares of funding from state formulas (Policy I(B)(4)) and offers support for "legislation that provides sufficient revenue for county services" (Policy I(B)(8)).

The Board's 2015 Federal Legislative Policies and Procedures outline several transportation priorities. Notably these policies support an increase and/or index of the federal gas tax (Policy III(B)(1)). The policies also address the need to protect previous and future investments through system maintenance and preservation and specifically outline support for "providing increased funding as it is critically needed to provide for adequate maintenance and preservation of both the existing local and state transportation system" (Policy III(C)(1)). Several of the federal policies support increased funding for many federal programs including Highway User Trust Fund, Highway Bridge Program, Highway Safety Improvement Program, High Risk Rural Road Program, and the Strategic Highway Safety Plan.

Policy considerations. Sacramento County's roads are in great need of maintenance and repair and there is little funding available to address the growing problem. The State Legislature is grappling with how to address this statewide need, but party leadership has not come to agreement on how to do it. The Sacramento County Board of Supervisors currently lacks appropriate legislative policies that would enable the County to weigh in on any current or future state legislative proposals. While the Board's federal policies are not applicable to state proposals, these policies are instructive of previous Board action, particularly as they relate to support for increased funding.

The Board may wish to consider adopting a resolution urging the state to provide new sustainable funding for state and local transportation infrastructure. Adoption of such a policy would enable County staff and legislative advocates to participate meaningfully with policymakers as this funding deal is negotiated and would provide County staff future guidance on state transportation issues.

MEASURES/EVALUATION

Not applicable.

FINANCIAL ANALYSIS

Potentially significant increased funding to Sacramento County for transportation infrastructure if the Legislature passes legislation to provide additional revenues or reallocate existing revenues to counties and cities. According to California State Association of Counties (CSAC) estimates, SBx1 1 (Beall) would provide roughly \$56.1 million annually or \$562 million over ten years to Sacramento County.

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Respectfully submitted,

APPROVED:
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County Executive

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Governmental Relations &
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By: _____
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Attachments: Resolution

- Attachment 1 - CSAC Local Streets and Roads Funding Estimates 6-29-2015
- Attachment 2 - LAO Overview of Highway Road Programs and Funding
- Attachment 3 - 2014 Local Streets and Roads Needs Assessment Executive
Summary
- Attachment 4 – Sacramento County Pavement Condition Index
- Attachment 5 - SBx1 1 Fact Sheet
- Attachment 6 - Assembly GOP Transportation Plan
- Attachment 7 - Fix Our Roads Coalition Letter
- Attachment 8 - Adopted State and Federal Legislative Policies and Procedures