



**DATE:** June 22, 2017

**TO:** Transportation Authority of Marin Board of Commissioners

**FROM:** Dianne Steinhauser, Executive Director  
David Chan, Programming and Legislation Manager

**SUBJECT:** State Legislative Update and Adopt Position on Senate Bill (SB) 86 (Action), Agenda Item No. 7a

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## **RECOMMENDATION**

Recommend the TAM Board adopts position on SB 86.

## **BACKGROUND**

TAM staff and/or Khouri Consulting will be recommending positions to be taken on pending legislation before the close of the 2017 State Legislation Session in August 2017, particularly those that are related to our adopted Legislative Platform. Letters of support or opposition may also be developed at the appropriate time and Mr. Khouri may be requested to testify at Legislative hearings, if warranted, to convey TAM's positions on specific legislation.

## **STATE LEGISLATIVE UPDATE**

Governor Brown released his proposed May Revision to the FY 2017/18 State Budget on May 11, 2017. Most of his revisions center on the passage of SB 1. Gus Khouri will be attending the June 22<sup>nd</sup> TAM Board meeting to provide an overview of the Governor's May Budget Revise. In advance of the meeting, Mr. Khouri provided his monthly report (Attachment A) that summarizes the Governor's May Revision.

Mr. Khouri will also provide details on planned efforts with TAM staff and Board members to brief principal staff of the California Transportation Commission (CTC) on key Marin projects that will be nominated for the proposed Regional Measure (RM) 3 Program under SB 595 as well as relevant programs under SB 1, such as the Congested Corridors and Trade Corridors Programs.

After Mr. Khouri's presentation, staff will provide a presentation under Item 11b on the various programs of SB 1, what Marin can expect from each individual program, and Marin projects that may be viable candidates.

## **SENATE BILL (SB) 86**

With the entire State focused on the passage of SB 1, there have been fewer legislative bills on transportation introduced in the past two months than typically experienced in prior years. However, SB 86 has been circulated among Self-Help County Coalition as a bill to monitor.

- SB 86 (Senate Committee on Budget) Taxpayer Transparency and Fairness Act of 2017 – The intent of this bill is to reform the Board of Equalization (BOE) so that it can better align it with its core constitutional mission and improve tax administration. Attachment B is a Fact Sheet on SB 86 produced by the Governor’s office.

Staff is recommending a monitor position on SB 86.

## **ATTACHMENTS**

Attachment A – Khouri Monthly Report

Attachment B – Fact Sheet: Taxpayer Transparency and Fairness Act of 2017



June 12, 2017

TO: Transportation Authority of Marin  
 FROM: Gus Khouri, Principal  
 Khouri Consulting

**RE: STATE LEGISLATIVE UPDATE – MAY**

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With the enactment of SB 1 (Beall), Chapter 5, Statutes of 2017, also known as the Road Maintenance and Accountability Act, TAM will have an opportunity to access much needed funding to address our multi-modal priorities. While the full effect of the revenues however will not be realized until FY 18-19 when the imposition of the transportation improvement fee (goes into effect January 1, 2018) and gas and diesel tax increases (November 1, 2017) are in place, the Governor's May Revision includes full estimates within the fiscal year. Below is a breakdown of funds available in FY 17-18.

<b>2017-18 Road Maintenance and Accountability Act Funding (Dollars in Millions)</b>		
<b>Local Allocations</b>	Local Streets and Roads	\$445.4
	Transit & Intercity Rail Program	\$330
	State Transit Assistance	\$305.1
	Local Partnership Program	\$200
	Active Transportation Program	\$100
	Local planning Grants	\$25
	<b>Total</b>	<b>\$1,405.5</b>
<b>State Allocations</b>	SHOPP/Maintenance	\$445.4
	Bridges & Culverts	\$400
	Congested Corridors	\$250
	Trade Corridors	\$199.8
	Dept. of Parks & Recreation	\$54.3
	Freeway Service Patrol	\$25
	Dept. of Food & Agriculture	\$17.3
	CSU & UC Research	\$7
	Workforce Development Board	\$5
<b>Total</b>	<b>\$1,403.8</b>	

<b>Administration</b>	State Controller's Office	\$0.1
	California Transportation Commission	\$0.2
	Dept. of Motor Vehicles	\$3.8
	<b>Total</b>	<b>\$4.1</b>
<b>Revenues</b>	Transportation Improvement Fee	\$727
	Gas Excise Tax	\$1,251.5
	Diesel Excise Tax	\$399.7
	Diesel Sales Tax	\$200.1
	General Fund Loan Repayment	\$235
	<b>Total</b>	<b>\$2,813.3</b>

### **Potential Funding Opportunities**

The California Transportation Commission (CTC) is in the process of establishing a schedule for workshops prior to adopting guidelines for various programs in SB 1. Below is snapshot of programs that may be of interest to TAM:

#### Active Transportation Program

SB 1 provides an increase of \$100 million annually for the Active Transportation Program (ATP). This represents an increase in the size of this on-going program by more than 80% (funding prior to SB 1 was \$125 million). The ATP funding provided in SB 1 will begin in FY 2017-18. Projects have been select for the current Active Transportation Program through 2020-21. The CTC will have a call for projects that covers FY 17-18 and 18-19. This is the timeline for the 2018 ATP:

- Workshops to develop guidelines – June 2017
- Adoption of guidelines – June 28-29, 2017
- Applications due – August 2017
- Program adoption, statewide and small urban & rural components – October 18-19, 2017
- Program adoption, large Metropolitan Planning Organization component – December 6-7, 2017

#### State and Local Partnership Program (SLPP)

SB 1 creates this new \$200 million per year program. Guidelines for the SLPP must be adopted on or before January 1, 2018. Funding from this program is for counties that have sought and received voter approval of taxes or that have imposed fees, including uniform developer fees (toll revenues will not be factored in as they were under the 2009 SLPP established under Prop 1B, because the CTC is not provided with that flexibility per the language in SB 1, meaning possibly lower shares for the North). Funds are appropriated “for allocation to each eligible county and city in the county for road maintenance and rehabilitation purposes” but the Governor’s budget trailer bill seeks to provide flexibility for usage for other purposes. In 2008, the legislature through AB 268, defined the purpose and intent of the program, the eligibility of applicants, projects, and matching funds, and provided that 95% of program funds would be distributed by formula to match voter-approved transportation taxes and fees, with the remaining 5% available for competitive grants to match uniform developer fees.

Without any legislative direction this time around, the CTC is inclined to adopt a 50/50 split between competitive grants and formula-based shares. It is uncertain how much revenue TAM would receive from its formula share, given that there are five more self-help counties (Merced, Monterey, Napa, Santa Cruz, and Stanislaus), multiple measures that have been approved by counties (such as Los Angeles), and the absence of tolls being factored into the equation for the North. The timeline for program adoption is as follows:

- Workshops to develop guidelines – June through September 2017
- Presentation of draft guidelines – August 16-17, 2017
- Adoption of guidelines – October 18-19, 2017
- Applications due – March 2018
- Adopt Program – June 2018

#### Local Streets and Roads

SB 1 provides an increase of \$1.5 billion annually, beginning in November 2017. Prior to SB 1, the CTC had no role in the Local Streets and Roads apportionment program. The CTC now has new responsibilities relative to this funding, including development of guidelines, review of project lists submitted by cities and counties, reporting to the State Controller, and receiving reports on completed projects. We have previously reported on the estimated amount that Marin County and cities would receive under the program. The timeline for program adoption is as follows:

- Workshops to develop guidelines – June and July 2017
- Presentation of draft guidelines – August 16-17, 2017
- Adoption of guidelines – October 18-19, 2017

#### Solutions for Congested Corridors

SB 1 creates this new \$250 million per year program beginning in FY 2017-18. CTC responsibilities include developing guidelines, holding public hearings, reviewing corridor plans, scoring project nominations, programming projects, allocating funds to projects, monitoring program delivery, and reporting to the Legislature. The timeline for program adoption is as follows:

- Workshops to develop guidelines – June through October 2017
- Presentation of draft guidelines – October 18-19, 2017
- Adoption of guidelines – December 6-7, 2017
- Applications due – February 2018
- Program adoption – May 2018

Highway 101 and SMART rail corridor are cited in the legislative declarations and findings of SB 1 as an example of where resources from the program should be dedicated.

#### State Highway Operation and Protection Program (SHOPP)

SB 1 provides an increase of approximately \$1.9 billion annually, beginning in November 2017, along with a significant expansion of the CTC's oversight

responsibilities. SB 1 requires additional CTC oversight of the development and management of the SHOPP, including allocating support staff, project review and approval, and convening public hearings prior to adopting the SHOPP. The CTC is also responsible for monitoring Caltrans' performance and progress toward accomplishing the specific goals set out in SB 1 and other targets or performance measures adopted by the CTC. The adoption of guidelines is expected to occur at the CTC's next meeting on June 28-29.

#### State Transportation Improvement Program (STIP)

SB 1 stabilizes funding for the STIP. The impact of the stabilization of STIP funding will be included in the 2018 STIP Fund Estimate and incorporated in the 2018 STIP. The CTC recommends the following timeline for the 2018 STIP:

- Approval of fund estimate assumptions – May 17, 2017
- Presentation of draft guidelines and draft fund estimate – June 28, 2017
- Adoption of guidelines and fund estimate – August 16-17, 2017
- Submittal of draft Interregional Transportation Improvement Program – October 15, 2017
- Interregional Transportation Improvement Program Hearings – November 2017
- Submittal of Regional Transportation Improvement Programs and the final Interregional Transportation Improvement Programs – December 15, 2017
- STIP Hearings – January-February 2018
- Program adoption – March 2018

#### Trade Corridor Enhancement Account

SB 1 creates this new \$300 million per year account to fund corridor based freight projects nominated by local agencies and the state. Budget trailer bill language was recently released to incorporate this funding and federal freight funding into a single program. The timeline for program adoption is as follows :

- Workshops to develop guidelines – June through November 2017
- Presentation of draft guidelines – December 6-7, 2017
- Adoption of guidelines – January 2018
- Applications due – February 2018
- Program adoption – May 2018

The CTC's first round of workshops was held on June 8 and 9 in Sacramento. We will work with staff to help formulate a strategy to maximize TAM's position in acquiring resources from the various programs.

### The Taxpayer Transparency and Fairness Act of 2017

As evidenced by at least seven completed as well as ongoing independent reports in addition to best practices across the nation, the Board of Equalization (BOE) needs to be immediately reformed through the Budget Act. The “Taxpayer Transparency and Fairness Act of 2017” (Act) reforms the Board to better align it with its core constitutional mission and improve tax administration benefiting taxpayers. The findings of seven reports<sup>1</sup> show:

- Certain board members have intervened in administrative activities and created inconsistencies, breakdowns, and activities not supported by law.
- Over \$350 million in sales tax was misallocated to counties.
- BOE rank and file staff reported a fear of retaliation if staff did not respond to the directions of individual board members.
- Various levels of management were not aware of certain board member district activities for which board members had oversight responsibilities.

The Act brings much needed reform to the BOE and:

- **Upholds the Taxpayers’ Bill of Rights** – The Act establishes the California Department of Tax and Fee Administration to ensure that taxpayers receive fairness, equity, consistency, efficiency, and transparency in tax administration and appeals. Information needed and received by taxpayers will apply consistently and communicated clearly so that all taxpayers will understand their rights.
- **Preserves the State Board of Equalization’s core mission** – The BOE retains all core constitutional responsibilities and functions, thereby better aligning with the intent of the voters, current law, and the California Constitution, namely to review, equalize, or adjust property tax assessments, assess taxes on insurers, and assess and collect excise taxes on alcoholic beverages. BOE members shall continue to act as advocates, directly communicate with constituents and taxpayers, and provide taxpayer education through outreach.
- **Guarantees impartiality, equity, and efficiency in tax appeals** – The Act establishes an independent Office of Tax Appeals. This new appeals forum shall consist of a panel of three independent and objective administrative law judges and issue decisions in a transparent and timely fashion, rely on well-established precedents in tax law, provide open public access and choice of representation, and build a record that both taxpayers and tax administration agencies can rely upon.
- **Protects civil service employees and ensures fair tax collection statewide** – The new California Department of Tax and Fee Administration will perform all the previous statutory tasks of the BOE and serve as the administrative arm for BOE.

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<sup>1</sup> Legislative Analyst’s Office, the Department of Finance, and the State Controller’s Office. Additionally, there are investigations underway by the California State Auditor, the Attorney General’s Office, and both the State Personnel Board and the Department of Human Resources.

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