

ASSEMBLY BILL

No. 1

**Introduced by Assembly Member Frazier
(Coauthors: Assembly Members Low, Mullin, and Santiago)**

December 5, 2016

An act to amend Sections 13975, 14500, 14526.5, and 16965 of, to add Sections 14033, 14526.7, and 16321 to, to add Part 5.1 (commencing with Section 14460) to Division 3 of Title 2 of, and to repeal Section 14534.1 of, the Government Code, to amend Section 39719 of the Health and Safety Code, to amend Section 21080.37 of, and to add Division 13.6 (commencing with Section 21200) to, the Public Resources Code, to amend Section 99312.1 of, and to add Section 99314.9 to, the Public Utilities Code, to amend Sections 6051.8, 6201.8, 7360, 8352.4, 8352.5, 8352.6, and 60050 of the Revenue and Taxation Code, to amend Sections 183.1, 2192, 2192.1, and 2192.2 of, to add Sections 820.1, 2103.1, and 2192.4 to, and to add Chapter 2 (commencing with Section 2030) to Division 3 of, the Streets and Highways Code, and to add Sections 9250.3, 9250.6, and 9400.5 to the Vehicle Code, relating to transportation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1, as introduced, Frazier. Transportation funding.

(1) 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.

This bill 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 described in (7) below that are not restricted as to expenditure by Article XIX of the California Constitution.

This bill would annually set aside \$200,000,000 of the funds available for the program to fund road maintenance and rehabilitation purposes in counties that have sought and received voter approval of taxes or that have imposed fees, including uniform developer fees, as defined, which taxes or fees are dedicated solely to transportation improvements. These funds would be continuously appropriated for allocation pursuant to guidelines to be developed by the California Transportation Commission in consultation with local agencies. The bill would require \$80,000,000 of the funds available for the program to be annually transferred to the State Highway Account for expenditure on the Active Transportation Program. The bill would require \$30,000,000 of the funds available for the program in each of 4 fiscal years beginning in 2017–18 to be transferred to the Advance Mitigation Fund created by the bill pursuant to (12) below. The bill would continuously appropriate \$2,000,000 annually of the funds available for the program to the California State University for the purpose of conducting transportation research and transportation-related workforce education, training, and development, and \$3,000,000 annually to the institutes for transportation studies at the University of California. The bill would require the

remaining funds available for the program to be allocated 50% for maintenance of the state highway system or to the state highway operation and protection program and 50% to cities and counties pursuant to a specified formula. The bill would impose various requirements on the department and agencies receiving these funds. The bill would authorize a city or county to spend its apportionment of funds under the program on transportation priorities other than those allowable pursuant to the program if the city's or county's average Pavement Condition Index meets or exceeds 80.

The bill would also require the department to annually identify savings achieved through efficiencies implemented at the department and to propose, from the identified savings, an appropriation to be included in the annual Budget Act of up to \$70,000,000 from the State Highway Account for expenditure on the Active Transportation Program.

(2) Existing law establishes in state government the Transportation Agency, which includes various departments and state entities, including the California Transportation Commission. Existing law vests the California Transportation Commission with specified powers, duties, and functions relative to transportation matters. Existing law requires the commission to retain independent authority to perform the duties and functions prescribed to it under any provision of law.

This bill would exclude the California Transportation Commission from the Transportation Agency, establish it as an entity in state government, and require it to act in an independent oversight role. The bill would also make conforming changes.

(3) Existing law creates various state agencies, including the Department of Transportation, the High-Speed Rail Authority, the Department of the California Highway Patrol, the Department of Motor Vehicles, and the State Air Resources Board, with specified powers and duties. Existing law provides for the allocation of state transportation funds to various transportation purposes.

This bill would create the Office of the Transportation Inspector General in state government, as an independent office that would not be a subdivision of any other government entity, to ensure that all of the above-referenced state agencies and all other state agencies expending state transportation funds are operating efficiently, effectively, and in compliance with federal and state laws. The bill would provide for the Governor to appoint the Transportation Inspector General for a 6-year term, subject to confirmation by the Senate, and would provide that the Transportation Inspector General may not be

removed from office during the term except for good cause. The bill would specify the duties and responsibilities of the Transportation Inspector General and would require an annual report to the Legislature and Governor.

This bill would require the department to update the Highway Design Manual to incorporate the “complete streets” design concept by July 1, 2017.

(4) Existing law provides for loans of revenues from various transportation funds and accounts to the General Fund, with various repayment dates specified.

This bill would require the Department of Finance, on or before January 1, 2017, to compute the amount of outstanding loans made from specified transportation funds. The bill would require the Department of Transportation to prepare a loan repayment schedule and would require the outstanding loans to be repaid pursuant to that schedule, as prescribed. The bill would appropriate funds for that purpose from the Budget Stabilization Account. The bill would require the repaid funds to be transferred, pursuant to a specified formula, to cities and counties and to the department for maintenance of the state highway system and for purposes of the state highway operation and protection program.

(5) The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) created the Trade Corridors Improvement Fund and provided for allocation by the California Transportation Commission of \$2 billion in bond funds for infrastructure improvements on highway and rail corridors that have a high volume of freight movement and for specified categories of projects eligible to receive these funds. Existing law continues the Trade Corridors Improvement Fund in existence in order to receive revenues from sources other than the bond act for these purposes.

This bill would deposit the revenues attributable to a \$0.20 per gallon increase in the diesel fuel excise tax imposed by the bill into the Trade Corridors Improvement Fund. The bill would require revenues apportioned to the state from the national highway freight program established by the federal Fixing America’s Surface Transportation Act to be allocated for trade corridor improvement projects approved pursuant to these provisions.

Existing law requires the commission, in determining projects eligible for funding, to consult various state freight and regional infrastructure and goods movement plans and the statewide port master plan.

This bill would revise the list of plans to be consulted by the commission when determining eligible projects for funding. The bill would also expand eligible projects to include, among others, rail landside access improvements, landside freight access improvements to airports, and certain capital and operational improvements.

(6) Existing law requires all moneys, except for fines and penalties, collected by the State Air Resources Board from the auction or sale of allowances as part of a market-based compliance mechanism relative to reduction of greenhouse gas emissions to be deposited in the Greenhouse Gas Reduction Fund. Existing law continuously appropriates 10% of the annual proceeds of the fund to the Transit and Intercity Rail Capital Program and 5% of the annual proceeds of the fund to the Low Carbon Transit Operations Program.

This bill would, beginning in the 2017–18 fiscal year, instead continuously appropriate 20% of those annual proceeds to the Transit and Intercity Rail Capital Program and 10% of those annual proceeds to the Low Carbon Transit Operations Program, thereby making an appropriation.

(7) Article XIX of the California Constitution restricts the expenditure of revenues from taxes imposed by the state on fuels used in motor vehicles upon public streets and highways to street and highway and certain mass transit purposes. Existing law requires certain miscellaneous revenues deposited in the State Highway Account that are not restricted as to expenditure by Article XIX of the California Constitution to be transferred to the Transportation Debt Service Fund in the State Transportation Fund, as specified, and requires the Controller to transfer from the fund to the General Fund an amount of those revenues necessary to offset the current year debt service made from the General Fund on general obligation transportation bonds issued pursuant to Proposition 116 of 1990.

This bill would delete the transfer of these miscellaneous revenues to the Transportation Debt Service Fund, thereby eliminating the offsetting transfer to the General Fund for debt service on general obligation transportation bonds issued pursuant to Proposition 116 of 1990. The bill, subject to a specified exception, would instead require the miscellaneous revenues to be retained in the State Highway Account and to be deposited in the Road Maintenance and Rehabilitation Account.

(8) Article XIX of the California Constitution requires gasoline excise tax revenues from motor vehicles traveling upon public streets and

highways to be deposited in the Highway Users Tax Account, for allocation to city, county, and state transportation purposes. Existing law generally provides for statutory allocation of gasoline excise tax revenues attributable to other modes of transportation, including aviation, boats, agricultural vehicles, and off-highway vehicles, to particular accounts and funds for expenditure on purposes associated with those other modes, except that a specified portion of these gasoline excise tax revenues is deposited in the General Fund. Expenditure of the gasoline excise tax revenues attributable to those other modes is not restricted by Article XIX of the California Constitution.

This bill, commencing July 1, 2017, would instead transfer to the Highway Users Tax Account for allocation to state and local transportation purposes under a specified formula the portion of gasoline excise tax revenues currently being deposited in the General Fund that are attributable to boats, agricultural vehicles, and off-highway vehicles. Because that account is continuously appropriated, the bill would make an appropriation.

(9) Existing law, as of July 1, 2011, increases the sales and use tax on diesel and decreases the excise tax, as provided. Existing law requires the State Board of Equalization to annually modify both the gasoline and diesel excise tax rates on a going-forward basis so that the various changes in the taxes imposed on gasoline and diesel are revenue neutral.

This bill would eliminate the annual rate adjustment to maintain revenue neutrality for the gasoline and diesel excise tax rates and would reimpose the higher gasoline excise tax rate that was in effect on July 1, 2010, in addition to the increase in the rate described in (1) above.

Existing law, beyond the sales and use tax rate generally applicable, imposes an additional sales and use tax on diesel fuel at the rate of 1.75%, subject to certain exemptions, and provides for the net revenues collected from the additional tax to be transferred to the Public Transportation Account. Existing law continuously appropriates these revenues to the Controller for allocation by formula to transportation agencies for public transit purposes under the State Transit Assistance Program.

This bill would increase the additional sales and use tax on diesel fuel by an additional 3.5%. By increasing the revenues deposited in the Public Transportation Account that are continuously appropriated, the bill would thereby make an appropriation. The bill would restrict expenditures of revenues from this increase in the sales and use tax on diesel fuel to transit capital purposes and certain transit services and

would require a recipient transit agency to comply with certain requirements, including submitting a list of proposed projects to the Department of Transportation, as a condition of receiving a portion of these funds. The bill would require the Controller to compute and publish quarterly proposed allocations for each eligible recipient agency under the State Transit Assistance Program. The bill would require an existing required audit of transit operator finances to verify that these new revenues have been expended in conformance with these specific restrictions and all other generally applicable requirements.

This bill would, beginning July 1, 2019, and every 3rd year thereafter, require the State Board of Equalization to recompute the gasoline and diesel excise tax rates and the additional sales and use tax rate on diesel fuel based upon the percentage change in the California Consumer Price Index transmitted to the board by the Department of Finance, as prescribed.

(10) Existing law requires the Department of Transportation to prepare a state highway operation and protection program every other year for the expenditure of transportation capital improvement funds for projects that are necessary to preserve and protect the state highway system, excluding projects that add new traffic lanes. The program is required to be based on an asset management plan, as specified. Existing law requires the department to specify, for each project in the program the capital and support budget and projected delivery date for various components of the project. Existing law provides for the California Transportation Commission to review and adopt the program, and authorizes the commission to decline and adopt the program if it determines that the program is not sufficiently consistent with the asset management plan.

The bill would require the commission, as part of its review of the program, to hold at least one hearing in northern California and one hearing in southern California regarding the proposed program. The bill would require the department to submit any change to a programmed project as an amendment to the commission for its approval.

This bill, on and after August 1, 2017, would also require the commission to make an allocation of all capital and support costs for each project in the program, and would require the department to submit a supplemental project allocation request to the commission for each project that experiences cost increases above the amounts in its allocation. The bill would require the commission to establish guidelines to provide exceptions to the requirement for a supplemental project

allocation requirement that the commission determines are necessary to ensure that projects are not unnecessarily delayed.

(11) Existing law imposes weight fees on the registration of commercial motor vehicles and provides for the deposit of net weight fee revenues into the State Highway Account. Existing law provides for the transfer of certain weight fee revenues from the State Highway Account to the Transportation Debt Service Fund to reimburse the General Fund for payment of debt service on general obligation bonds issued for transportation purposes. Existing law also provides for the transfer of certain weight fee revenues to the Transportation Bond Direct Payment Account for direct payment of debt service on designated bonds, which are defined to be certain transportation general obligation bonds issued pursuant to Proposition 1B of 2006. Existing law also provides for loans of weight fee revenues to the General Fund to the extent the revenues are not needed for bond debt service purposes, with the loans to be repaid when the revenues are later needed for those purposes, as specified.

This bill, notwithstanding these provisions or any other law, would only authorize specified amounts of weight fee revenues to be transferred from the State Highway Account to the Transportation Debt Service Fund, the Transportation Bond Direct Payment Account, or any other fund or account for the purpose of payment of the debt service on transportation general obligation bonds in accordance with a prescribed schedule, with no more than \$500,000,000 to be transferred in the 2021–22 and subsequent fiscal years. The bill would also prohibit loans of weight fee revenues to the General Fund.

(12) The California Environmental Quality Act (CEQA) requires a lead agency, as defined, to prepare, or cause to be prepared, and certify the completion of, an environmental impact report on a project that it proposes to carry out or approve that may have a significant effect on the environment or to adopt a negative declaration if it finds that the project will not have that effect. CEQA also requires a lead agency to prepare a mitigated negative declaration for a project that may have a significant effect on the environment if revisions in the project would avoid or mitigate that effect and there is no substantial evidence that the project, as revised, would have a significant effect on the environment.

CEQA, until January 1, 2020, exempts a project or an activity to repair, maintain, or make minor alterations to an existing roadway, as defined, other than a state roadway, if the project or activity is carried

out by a city or county with a population of less than 100,000 persons to improve public safety and meets other specified requirements.

This bill would extend the above-referenced exemption indefinitely and delete the limitation of the exemption to projects or activities in cities and counties with a population of less than 100,000 persons. The bill would also expand the exemption to include state roadways.

This bill would also establish the Advance Mitigation Program in the Department of Transportation. The bill would authorize the department to undertake mitigation measures in advance of construction of a planned transportation project. The bill would require the department to establish a steering committee to advise the department on advance mitigation measures and related matters. The bill would create the Advance Mitigation Fund as a continuously appropriated revolving fund, to be funded initially from the Road Maintenance and Rehabilitation Program pursuant to (1) above. The bill would provide for reimbursement of the revolving fund at the time a planned transportation project benefiting from advance mitigation is constructed.

(13) Existing federal law requires the United States Secretary of Transportation to carry out a surface transportation project delivery program, under which the participating states assume certain responsibilities for environmental review and clearance of transportation projects that would otherwise be the responsibility of the federal government. Existing law, until January 1, 2017, when these provisions are repealed, provides that the State of California consents to the jurisdiction of the federal courts with regard to the compliance, discharge, or enforcement of the responsibilities the Department of Transportation assumed as a participant in this program.

This bill would reenact these provisions.

(14) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Over the next 10 years, the state faces a \$59 billion shortfall
- 4 to adequately maintain the existing state highway system in order
- 5 to keep it in a basic state of good repair.

1 (b) Similarly, cities and counties face a \$78 billion shortfall
2 over the next decade to adequately maintain the existing network
3 of local streets and roads.

4 (c) Statewide taxes and fees dedicated to the maintenance of
5 the system have not been increased in more than 20 years, with
6 those revenues losing more than 55 percent of their purchasing
7 power, while costs to maintain the system have steadily increased
8 and much of the underlying infrastructure has aged past its expected
9 useful life.

10 (d) California motorists are spending \$17 billion annually in
11 extra maintenance and car repair bills, which is more than \$700
12 per driver, due to the state's poorly maintained roads.

13 (e) Failing to act now to address this growing problem means
14 that more drastic measures will be required to maintain our system
15 in the future, essentially passing the burden on to future generations
16 instead of doing our job today.

17 (f) A funding program will help address a portion of the
18 maintenance backlog on the state's road system and will stop the
19 growth of the problem.

20 (g) Modestly increasing various fees can spread the cost of road
21 repairs broadly to all users and beneficiaries of the road network
22 without overburdening any one group.

23 (h) Improving the condition of the state's road system will have
24 a positive impact on the economy as it lowers the transportation
25 costs of doing business, reduces congestion impacts for employees,
26 and protects property values in the state.

27 (i) The federal government estimates that increased spending
28 on infrastructure creates more than 13,000 jobs per \$1 billion spent.

29 (j) Well-maintained roads benefit all users, not just drivers, as
30 roads are used for all modes of transport, whether motor vehicles,
31 transit, bicycles, or pedestrians.

32 (k) Well-maintained roads additionally provide significant health
33 benefits and prevent injuries and death due to crashes caused by
34 poorly maintained infrastructure.

35 (l) A comprehensive, reasonable transportation funding package
36 will do all of the following:

37 (1) Ensure these transportation needs are addressed.

38 (2) Fairly distribute the economic impact of increased funding.

39 (3) Restore the gas tax rate previously reduced by the State
40 Board of Equalization pursuant to the gas tax swap.

(4) Direct increased revenue to the state's highest transportation needs.

SEC. 2. Section 13975 of the Government Code is amended to read:

13975. There is in the state government the Transportation Agency. The agency consists of the Department of the California Highway Patrol, the ~~California Transportation Commission~~, the Department of Motor Vehicles, the Department of Transportation, the High-Speed Rail Authority, and the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun.

SEC. 3. Section 14033 is added to the Government Code, to read:

14033. On or before July 1, 2017, the department shall update the Highway Design Manual to incorporate the "complete streets" design concept.

SEC. 4. Part 5.1 (commencing with Section 14460) is added to Division 3 of Title 2 of the Government Code, to read:

PART 5.1. OFFICE OF THE TRANSPORTATION INSPECTOR
GENERAL

14460. (a) There is hereby created in state government the independent Office of the Transportation Inspector General, which shall not be a subdivision of any other governmental entity, to ensure that the Department of Transportation, the High-Speed Rail Authority, the Department of the California Highway Patrol, the Department of Motor Vehicles, the State Air Resources Board, and all other state agencies expending state transportation funds are operating efficiently, effectively, and in compliance with applicable federal and state laws.

(b) The Governor shall appoint, subject to confirmation by the Senate, the Transportation Inspector General to a six-year term. The Transportation Inspector General may not be removed from office during that term, except for good cause. A finding of good cause may include substantial neglect of duty, gross misconduct, or conviction of a crime. The reasons for removal of the Transportation Inspector General shall be stated in writing and shall include the basis for removal. The writing shall be sent to the Secretary of the Senate and the Chief Clerk of the Assembly

1 at the time of the removal and shall be deemed to be a public
2 document.

3 14461. The Transportation Inspector General shall review
4 policies, practices, and procedures and conduct audits and
5 investigations of activities involving state transportation funds in
6 consultation with all affected state agencies. Specifically, the
7 Transportation Inspector General's duties and responsibilities shall
8 include, but not be limited to, all of the following:

9 (a) To examine the operating practices of all state agencies
10 expending state transportation funds to identify fraud and waste,
11 opportunities for efficiencies, and opportunities to improve the
12 data used to determine appropriate project resource allocations.

13 (b) To identify best practices in the delivery of transportation
14 projects and develop policies or recommend proposed legislation
15 enabling state agencies to adopt these practices when practicable.

16 (c) To provide objective analysis of and, when possible, offer
17 solutions to concerns raised by the public or generated within
18 agencies involving the state's transportation infrastructure and
19 project delivery methods.

20 (d) To conduct, supervise, and coordinate audits and
21 investigations relating to the programs and operations of all state
22 transportation agencies with state-funded transportation projects.

23 (e) To recommend policies promoting economy and efficiency
24 in the administration of programs and operations of all state
25 agencies with state-funded transportation projects.

26 (f) To ensure that the Secretary of Transportation and the
27 Legislature are fully and currently informed concerning fraud or
28 other serious abuses or deficiencies relating to the expenditure of
29 funds or administration of programs and operations.

30 14462. The Transportation Inspector General shall report at
31 least annually to the Governor and Legislature with a summary of
32 his or her findings, investigations, and audits. The summary shall
33 be posted on the Transportation Inspector General's Internet Web
34 site and shall otherwise be made available to the public upon its
35 release to the Governor and Legislature. The summary shall
36 include, but need not be limited to, significant problems discovered
37 by the Transportation Inspector General and whether
38 recommendations of the Transportation Inspector General relative
39 to investigations and audits have been implemented by the affected

1 agencies. The report shall be submitted to the Legislature in
2 compliance with Section 9795.

3 SEC. 5. Section 14500 of the Government Code is amended
4 to read:

5 14500. There is in the Transportation Agency *state government*
6 a California Transportation Commission. *The commission shall*
7 *act in an independent oversight role.*

8 SEC. 6. Section 14526.5 of the Government Code is amended
9 to read:

10 14526.5. (a) Based on the asset management plan prepared
11 and approved pursuant to Section 14526.4, the department shall
12 prepare a state highway operation and protection program for the
13 expenditure of transportation funds for major capital improvements
14 that are necessary to preserve and protect the state highway system.
15 Projects included in the program shall be limited to ~~capital~~
16 ~~improvements relative to the maintenance, safety, operation, and~~
17 ~~rehabilitation~~ *rehabilitation, and operation* of state highways and
18 bridges that do not add a new traffic lane to the system.

19 (b) The program shall include projects that are expected to be
20 advertised prior to July 1 of the year following submission of the
21 program, but which have not yet been funded. The program shall
22 include those projects for which construction is to begin within
23 four fiscal years, starting July 1 of the year following the year the
24 program is submitted.

25 (c) (1) The department, at a minimum, shall specify, for each
26 project in the state highway operation and protection program, the
27 capital and support ~~budget, as well as a projected delivery date,~~
28 *budget* for each of the following project components:

29 ~~(1) Completion of project~~

30 ~~(A) Project approval and environmental documents.~~

31 ~~(2) Preparation of plans,~~

32 ~~(B) Plans, specifications, and estimates.~~

33 ~~(3) Acquisition of rights-of-way, including, but not limited to,~~
34 ~~support activities.~~

35 ~~(C) Rights-of-way.~~

36 ~~(D) Construction.~~

37 (2) *The department shall specify, for each project in the state*
38 *highway operation and protection program, a project delivery*
39 *date for each of the following components:*

40 (A) *Environmental document completion.*

1 (B) *Plans, specifications, and estimate completion.*

2 (C) *Right-of-way certification.*

3 ~~(4)~~

4 (D) *Start of construction.*

5 (d) ~~The program department shall be submitted~~ *submit its*
6 *proposed program* to the commission not later than January 31 of
7 each even-numbered year. Prior to submitting ~~the plan~~, *its proposed*
8 *program*, the department shall make a draft of its proposed program
9 available to transportation planning agencies for review and
10 comment and shall include the comments in its submittal to the
11 commission. *The department shall provide the commission with*
12 *detailed information for all programmed projects, including, but*
13 *not limited to, cost, scope, schedule, and performance metrics as*
14 *determined by the commission.*

15 (e) ~~The commission may~~ *shall* review the *proposed* program
16 relative to its overall adequacy, consistency with the asset
17 management plan prepared and approved pursuant to Section
18 14526.4 and funding priorities established in Section 167 of the
19 Streets and Highways Code, the level of annual funding needed
20 to implement the program, and the impact of those expenditures
21 on the state transportation improvement program. The commission
22 shall adopt the program and submit it to the Legislature and the
23 Governor not later than April 1 of each even-numbered year. The
24 commission may decline to adopt the program if the commission
25 determines that the program is not sufficiently consistent with the
26 asset management plan prepared and approved pursuant to Section
27 14526.4.

28 (f) *As part of the commission's review of the program required*
29 *pursuant to subdivision (a), the commission shall hold at least one*
30 *hearing in northern California and one hearing in southern*
31 *California regarding the proposed program.*

32 ~~(f)~~

33 (g) Expenditures for these projects shall not be subject to
34 Sections 188 and 188.8 of the Streets and Highways Code.

35 (h) *Following adoption of the state highway operation and*
36 *protection program by the commission, any change to a*
37 *programmed project shall be submitted as an amendment by the*
38 *department to the commission for its approval before the change*
39 *may be implemented.*

1 SEC. 7. Section 14526.7 is added to the Government Code, to
2 read:

3 14526.7. (a) On and after August 1, 2017, an allocation by the
4 commission of all capital and support costs for each project in the
5 state highway operation and protection program shall be required.

6 (b) For a project that experiences increases in capital or support
7 costs above the amounts in the commission's allocation pursuant
8 to subdivision (a), a supplemental project allocation request shall
9 be submitted by the department to the commission for approval.

10 (c) The commission shall establish guidelines to provide
11 exceptions to the requirement of subdivision (b) that the
12 commission determines are necessary to ensure that projects are
13 not unnecessarily delayed.

14 SEC. 8. Section 14534.1 of the Government Code is repealed.

15 ~~14534.1. Notwithstanding Section 12850.6 or subdivision (b)~~
16 ~~of Section 12800, as added to this code by the Governor's~~
17 ~~Reorganization Plan No. 2 of 2012 during the 2011-12 Regular~~
18 ~~Session, the commission shall retain independent authority to~~
19 ~~perform those duties and functions prescribed to it under any~~
20 ~~provision of law.~~

21 SEC. 9. Section 16321 is added to the Government Code, to
22 read:

23 16321. (a) Notwithstanding any other law, on or before January
24 1, 2017, the Department of Finance shall compute the amount of
25 outstanding loans made from the State Highway Account, the
26 Motor Vehicle Fuel Account, the Highway Users Tax Account,
27 and the Motor Vehicle Account to the General Fund. The
28 department shall prepare a loan repayment schedule, pursuant to
29 which the outstanding loans shall be repaid, as follows:

30 (1) On or before June 30, 2017, 50 percent of the outstanding
31 loan amounts.

32 (2) On or before June 30, 2018, the remainder of the outstanding
33 loan amounts.

34 (b) Notwithstanding any other law, as the loans are repaid
35 pursuant to this section, the repaid funds shall be transferred in the
36 following manner:

37 (1) Fifty percent to cities and counties pursuant to clauses (i)
38 and (ii) of subparagraph (C) of paragraph (3) of subdivision (a) of
39 Section 2103 of the Streets and Highways Code.

1 (2) Fifty percent to the department for maintenance of the state
2 highway system and for purposes of the state highway operation
3 and protection program.

4 (c) Funds for loan repayments pursuant to this section are hereby
5 appropriated from the Budget Stabilization Account pursuant to
6 subclause (II) of clause (ii) of subparagraph (B) of paragraph (1)
7 of subdivision (c) of Section 20 of Article XVI of the California
8 Constitution.

9 SEC. 10. Section 16965 of the Government Code is amended
10 to read:

11 16965. (a) (1) The Transportation Debt Service Fund is hereby
12 created in the State Treasury. Moneys in the fund shall be dedicated
13 to all of the following purposes:

14 (A) Payment of debt service with respect to designated bonds,
15 as defined in subdivision (c) of Section 16773, and as further
16 provided in paragraph (3) and subdivision (b).

17 (B) To reimburse the General Fund for debt service with respect
18 to bonds.

19 (C) To redeem or retire bonds, pursuant to Section 16774,
20 maturing in a subsequent fiscal year.

21 (2) The bonds eligible under subparagraph (B) or (C) of
22 paragraph (1) include bonds issued pursuant to the ~~Clean Air and~~
23 ~~Transportation Improvement Act of 1990 (Part 11.5 (commencing~~
24 ~~with Section 99600) of Division 10 of the Public Utilities Code),~~
25 ~~the Passenger Rail and Clean Air Bond Act of 1990 (Chapter 17~~
26 ~~(commencing with Section 2701) of Division 3 of the Streets and~~
27 ~~Highways Code), the Seismic Retrofit Bond Act of 1996 (Chapter~~
28 ~~12.48 (commencing with Section 8879) of Division 1 of Title 2),~~
29 ~~and the Safe, Reliable High-Speed Passenger Train Bond Act for~~
30 ~~the 21st Century (Chapter 20 (commencing with Section 2704) of~~
31 ~~Division 3 of the Streets and Highways Code), and nondesignated~~
32 ~~bonds under Proposition 1B, as defined in subdivision (c) of~~
33 ~~Section 16773.~~

34 (3) (A) The Transportation Bond Direct Payment Account is
35 hereby created in the State Treasury, as a subaccount within the
36 Transportation Debt Service Fund, for the purpose of directly
37 paying the debt service, as defined in paragraph (4), of designated
38 bonds of Proposition 1B, as defined in subdivision (c) of Section
39 16773. Notwithstanding Section 13340, moneys in the
40 Transportation Bond Direct Payment Account are continuously

1 appropriated for payment of debt service with respect to designated
2 bonds as provided in subdivision (c) of Section 16773. So long as
3 any designated bonds remain outstanding, the moneys in the
4 Transportation Bond Direct Payment Account may not be used
5 for any other purpose, and may not be borrowed by or available
6 for transfer to the General Fund pursuant to Section 16310 or any
7 similar law, or to the General Cash Revolving Fund pursuant to
8 Section 16381 or any similar law.

9 (B) Once the Treasurer makes a certification that payment of
10 debt service with respect to all designated bonds has been paid or
11 provided for, any remaining moneys in the Transportation Bond
12 Direct Payment Account shall be transferred back to the
13 Transportation Debt Service Fund.

14 (C) The moneys in the Transportation Bond Direct Payment
15 Account shall be invested in the Surplus Money Investment Fund,
16 and all investment earnings shall accrue to the account.

17 (D) The Controller may establish subaccounts within the
18 Transportation Bond Direct Payment Account as may be required
19 by the resolution, indenture, or other documents governing any
20 designated bonds.

21 (4) For purposes of this subdivision and subdivision (b), and
22 subdivision (c) of Section 16773, “debt service” means payment
23 of all of the following costs and expenses with respect to any
24 designated bond:

25 (A) The principal of and interest on the bonds.

26 (B) Amounts payable as the result of tender on any bonds, as
27 described in clause (iv) of subparagraph (B) of paragraph (1) of
28 subdivision (d) of Section 16731.

29 (C) Amounts payable under any contractual obligation of the
30 state to repay advances and pay interest thereon under a credit
31 enhancement or liquidity agreement as described in clause (iv) of
32 subparagraph (B) of paragraph (1) of subdivision (d) of Section
33 16731.

34 (D) Any amount owed by the state to a counterparty after any
35 offset for payments owed to the state on any hedging contract as
36 described in subparagraph (A) of paragraph (2) of subdivision (d)
37 of Section 16731.

38 (b) From the moneys transferred to the fund pursuant to
39 paragraph (2) or (3) of subdivision (c) of Section 9400.4 of the
40 Vehicle Code, there shall first be deposited into the Transportation

1 Bond Direct Payment Account in each month sufficient funds to
2 equal the amount designated in a certificate submitted by the
3 Treasurer to the Controller and the Director of Finance at the start
4 of each fiscal year, and as may be modified by the Treasurer
5 thereafter upon issuance of any new issue of designated bonds or
6 upon change in circumstances that requires such a modification.
7 This certificate shall be calculated by the Treasurer to identify, for
8 each month, the amount necessary to fund all of the debt service
9 with respect to all designated bonds. This calculation shall be done
10 in a manner provided in the resolution, indenture, or other
11 documents governing the designated bonds. In the event that
12 transfers to the Transportation Bond Direct Payment Account in
13 any month are less than the amounts required in the Treasurer's
14 certificate, the shortfall shall carry over to be part of the required
15 payment in the succeeding month or months.

16 (c) The state hereby covenants with the holders from time to
17 time of any designated bonds that it will not alter, amend, or restrict
18 the provisions of subdivision (c) of Section 16773 of the
19 Government Code, or Sections 9400, 9400.1, 9400.4, and 42205
20 of the Vehicle Code, which provide directly or indirectly for the
21 transfer of weight fees to the Transportation Debt Service Fund
22 or the Transportation Bond Direct Payment Account, or
23 subdivisions (a) and (b) of this section, or reduce the rate of
24 imposition of vehicle weight fees under Sections 9400 and 9400.1
25 of the Vehicle Code as they existed on the date of the first issuance
26 of any designated bonds, if that alteration, amendment, restriction,
27 or reduction would result in projected weight fees for the next
28 fiscal year determined by the Director of Finance being less than
29 two times the maximum annual debt service with respect to all
30 outstanding designated bonds, as such calculation is determined
31 pursuant to the resolution, indenture, or other documents governing
32 the designated bonds. The state may include this covenant in the
33 resolution, indenture, or other documents governing the designated
34 bonds.

35 (d) Once the required monthly deposit, including makeup of
36 any shortfalls from any prior month, has been made pursuant to
37 subdivision (b), from moneys transferred to the fund pursuant to
38 paragraph (2) or (3) of subdivision (c) of Section 9400.4 of the
39 Vehicle Code, or pursuant to Section 16965.1 or 63048.67, the
40 Controller shall transfer as an expenditure reduction to the General

Fund any amount necessary to offset the cost of current year debt service payments made from the General Fund with respect to any bonds issued pursuant to Proposition 192 (1996) and three-quarters of the amount of current year debt service payments made from the General Fund with respect to any nondesignated bonds, as defined in subdivision (c) of Section 16773, issued pursuant to Proposition 1B (2006). In the alternative, these funds may also be used to redeem or retire the applicable bonds, pursuant to Section 16774, maturing in a subsequent fiscal year as directed by the Director of Finance.

~~(e) From moneys transferred to the fund pursuant to Section 183.1 of the Streets and Highways Code, the Controller shall transfer as an expenditure reduction to the General Fund any amount necessary to offset the cost of current year debt service payments made from the General Fund with respect to any bonds issued pursuant to Proposition 116 (1990). In the alternative, these funds may also be used to redeem or retire the applicable bonds, pursuant to Section 16774, maturing in a subsequent fiscal year as directed by the Director of Finance.~~

(f)

(e) Once the required monthly deposit, including makeup of any shortfalls from any prior month, has been made pursuant to subdivision (b), from moneys transferred to the fund pursuant to paragraph (2) or (3) of subdivision (c) of Section 9400.4 of the Vehicle Code, or pursuant to Section 16965.1 or 63048.67, the Controller shall transfer as an expenditure reduction to the General Fund any amount necessary to offset the eligible cost of current year debt service payments made from the General Fund with respect to any bonds issued pursuant to Proposition 108 (1990) and Proposition 1A (2008), and one-quarter of the amount of current year debt service payments made from the General Fund with respect to any nondesignated bonds, as defined in subdivision (c) of Section 16773, issued pursuant to Proposition 1B (2006). The Department of Finance shall notify the Controller by July 30 of every year of the percentage of debt service that is expected to be paid in that fiscal year with respect to bond-funded projects that qualify as eligible guideway projects consistent with the requirements applicable to the expenditure of revenues under Article XIX of the California Constitution, and the Controller shall make payments only for those eligible projects. In the alternative,

1 these funds may also be used to redeem or retire the applicable
2 bonds, pursuant to Section 16774, maturing in a subsequent fiscal
3 year as directed by the Director of Finance.

4 ~~(g)~~

5 *(f)* On or before the second business day following the date on
6 which transfers are made to the Transportation Debt Service Fund,
7 and after the required monthly deposits for that month, including
8 makeup of any shortfalls from any prior month, have been made
9 to the Transportation Bond Direct Payment Account, the Controller
10 shall transfer the funds designated for reimbursement of bond debt
11 service with respect to nondesignated bonds, as defined in
12 subdivision (c) of Section 16773, and other bonds identified in
13 subdivisions ~~(d), (e),~~ *(d)* and ~~(f)~~ *(e)* in that month from the fund to
14 the General Fund pursuant to this section.

15 SEC. 11. Section 39719 of the Health and Safety Code is
16 amended to read:

17 39719. (a) The Legislature shall appropriate the annual
18 proceeds of the fund for the purpose of reducing greenhouse gas
19 emissions in this state in accordance with the requirements of
20 Section 39712.

21 (b) To carry out a portion of the requirements of subdivision
22 (a), annual proceeds are continuously appropriated for the
23 following:

24 (1) Beginning in the ~~2015-16~~ *2017-18* fiscal year, and
25 notwithstanding Section 13340 of the Government Code, ~~35~~ *50*
26 percent of annual proceeds are continuously appropriated, without
27 regard to fiscal years, for transit, affordable housing, and
28 sustainable communities programs as ~~following:~~ *follows:*

29 (A) ~~Ten~~ *Twenty* percent of the annual proceeds of the fund is
30 hereby continuously appropriated to the Transportation Agency
31 for the Transit and Intercity Rail Capital Program created by Part
32 2 (commencing with Section 75220) of Division 44 of the Public
33 Resources Code.

34 (B) ~~Five~~ *Ten* percent of the annual proceeds of the fund is hereby
35 continuously appropriated to the Low Carbon Transit Operations
36 Program created by Part 3 (commencing with Section 75230) of
37 Division 44 of the Public Resources Code. ~~Funds~~ *Moneys* shall be
38 allocated by the Controller, according to requirements of the
39 program, and pursuant to the distribution formula in subdivision

(b) or (c) of Section 99312 of, and Sections 99313 and 99314 of, the Public Utilities Code.

(C) Twenty percent of the annual proceeds of the fund is hereby continuously appropriated to the Strategic Growth Council for the Affordable Housing and Sustainable Communities Program created by Part 1 (commencing with Section 75200) of Division 44 of the Public Resources Code. Of the amount appropriated in this subparagraph, no less than 10 percent of the annual ~~proceeds~~, *proceeds* shall be expended for affordable housing, consistent with the provisions of that program.

(2) Beginning in the 2015–16 fiscal year, notwithstanding Section 13340 of the Government Code, 25 percent of the annual proceeds of the fund is hereby continuously appropriated to the High-Speed Rail Authority for the following components of the initial operating segment and Phase I Blended System as described in the 2012 business plan adopted pursuant to Section 185033 of the Public Utilities Code:

(A) Acquisition and construction costs of the project.

(B) Environmental review and design costs of the project.

(C) Other capital costs of the project.

(D) Repayment of any loans made to the authority to fund the project.

(c) In determining the amount of annual proceeds of the fund for purposes of the calculation in subdivision (b), the funds subject to Section 39719.1 shall not be included.

SEC. 12. Section 21080.37 of the Public Resources Code is amended to read:

21080.37. (a) This division does not apply to a project or an activity to repair, maintain, or make minor alterations to an existing roadway if all of the following conditions are met:

~~(1) The project is carried out by a city or county with a population of less than 100,000 persons to improve public safety.~~

~~(2)~~

(1) (A) The project does not cross a waterway.

(B) For purposes of this paragraph, “waterway” means a bay, estuary, lake, pond, river, slough, or a perennial, intermittent, or ephemeral stream, lake, or estuarine-marine shoreline.

~~(3)~~

1 (2) The project involves negligible or no expansion of an
2 existing use beyond that existing at the time of the lead agency's
3 determination.

4 ~~(4) The roadway is not a state roadway.~~

5 ~~(5)~~

6 (3) (A) The site of the project does not contain wetlands or
7 riparian areas and does not have significant value as a wildlife
8 habitat, and the project does not harm any species protected by the
9 federal Endangered Species Act of 1973 (16 U.S.C. Sec. 1531 et
10 seq.), the Native Plant Protection Act (Chapter 10 (commencing
11 with Section 1900) of Division 2 of the Fish and Game Code), or
12 the California Endangered Species Act (Chapter 1.5 (commencing
13 with Section 2050) of Division 3 of the Fish and Game Code), and
14 the project does not cause the destruction or removal of any species
15 protected by a local ordinance.

16 (B) For the purposes of this paragraph:

17 (i) "Riparian areas" mean those areas transitional between
18 terrestrial and aquatic ecosystems and that are distinguished by
19 gradients in biophysical conditions, ecological processes, and biota.
20 A riparian area is an area through which surface and subsurface
21 hydrology connect waterbodies with their adjacent uplands. A
22 riparian area includes those portions of terrestrial ecosystems that
23 significantly influence exchanges of energy and matter with aquatic
24 ecosystems. A riparian area is adjacent to perennial, intermittent,
25 and ephemeral streams, lakes, and estuarine-marine shorelines.

26 (ii) "Significant value as a wildlife habitat" includes wildlife
27 habitat of national, statewide, regional, or local importance; habitat
28 for species protected by the federal Endangered Species Act of
29 1973 (16 U.S.C. Sec. ~~1531~~, 1531 et seq.), the California
30 Endangered Species Act (Chapter 1.5 (commencing with Section
31 2050) of Division 3 of the Fish and Game Code), or the Native
32 Plant Protection Act (Chapter 10 (commencing with Section 1900)
33 of Division 2 of the Fish and Game Code); habitat identified as
34 candidate, fully protected, sensitive, or species of special status
35 by local, state, or federal agencies; or habitat essential to the
36 movement of resident or migratory wildlife.

37 (iii) "Wetlands" has the same meaning as in the United States
38 Fish and Wildlife Service Manual, Part 660 FW 2 (June 21, 1993).

(iv) “Wildlife habitat” means the ecological communities upon which wild animals, birds, plants, fish, amphibians, and invertebrates depend for their conservation and protection.

~~(6)~~

(4) The project does not impact cultural resources.

~~(7)~~

(5) The roadway does not affect scenic resources, as provided pursuant to subdivision (c) of Section 21084.

(b) Prior to determining that a project is exempt pursuant to this section, the lead agency shall do both of the following:

(1) Include measures in the project to mitigate potential vehicular traffic and safety impacts and bicycle and pedestrian safety impacts.

(2) Hold a noticed public hearing on the project to hear and respond to public comments. The hearing on the project may be conducted with another noticed lead agency public hearing. Publication of the notice shall be no fewer times than required by Section 6061 of the Government Code, by the public agency in a newspaper of general circulation in the area.

(c) For purposes of this section, “roadway” means a roadway as defined pursuant to Section 530 of the Vehicle Code and the previously graded and maintained shoulder that is within a roadway right-of-way of no more than five feet from the edge of the roadway.

~~(d) Whenever~~

(d) (1) If a state agency determines that a project is not subject to this division pursuant to this section and it approves or determines to carry out that project, it shall file a notice with the Office of Planning and Research in the manner specified in subdivisions (b) and (c) of Section 21108.

(2) If a local agency determines that a project is not subject to this division pursuant to this section, section and it approves or determines to carry out that project, the local agency it shall file a notice with the Office of Planning and Research, and with the county clerk in the county in which the project will be located in the manner specified in subdivisions (b) and (c) of Section 21152.

~~(e) This section shall remain in effect only until January 1, 2020, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2020, deletes or extends that date.~~

SEC. 13. Division 13.6 (commencing with Section 21200) is added to the Public Resources Code, to read:

DIVISION 13.6. ADVANCE MITIGATION PROGRAM ACT

CHAPTER 1. GENERAL

21200. This division shall be known, and may be cited, as the Advance Mitigation Program Act.

21201. (a) The purpose of this division is to improve the success and effectiveness of actions implemented to mitigate the natural resource impacts of future transportation projects by establishing the means to implement those actions well before the transportation projects are constructed. The advance identification and implementation of mitigation actions also will streamline the delivery of transportation projects by anticipating mitigation requirements for planned transportation projects and avoiding or reducing delays associated with environmental permitting. By identifying regional or statewide conservation priorities and by anticipating the impacts of planned transportation projects on a regional or statewide basis, mitigation actions can be designed to protect and restore California's most valuable natural resources and also facilitate environmental compliance for planned transportation projects on a regional scale.

(b) This division is not intended to create a new environmental permitting or regulatory program or to modify existing environmental laws or regulations, nor is it expected that all mitigation requirements will be addressed for planned transportation projects. Instead, it is intended to provide a methodology with which to anticipate and fulfill the requirements of existing state and federal environmental laws that protect fish, wildlife, plant species, and other natural resources more efficiently and effectively.

21202. The Legislature finds and declares all of the following:

(a) The minimization and mitigation of environmental impacts is ordinarily handled on a project-by-project basis, usually near the end of a project's timeline and often without guidance regarding regional or statewide conservation priorities.

(b) The cost of critical transportation projects often escalates because of permitting delays that occur when appropriate

1 conservation and mitigation measures cannot easily be identified
2 and because the cost of these measures often increases between
3 the time a project is planned and funded and the time mitigation
4 is implemented.

5 (c) Addressing conservation and mitigation needs early in a
6 project's timeline, during the project design and development
7 phase, can reduce costs, allow natural resources conservation to
8 be integrated with project siting and design, and result in the
9 establishment of more valuable and productive habitat mitigation.

10 (d) When the Department of Transportation is able to anticipate
11 the mitigation needs for planned transportation projects, it can
12 meet those needs in a more timely and cost-effective way by using
13 advance mitigation planning.

14 (e) Working with state and federal resource protection agencies,
15 the department can identify, conserve, and, where appropriate,
16 restore lands for mitigation of numerous projects early in the
17 projects' timelines, thereby allowing public funds to stretch further
18 by acquiring habitat at a lower cost and avoiding environmental
19 permitting delays.

20 (f) Advance mitigation can provide an effective means of
21 facilitating delivery of transportation projects while ensuring more
22 effective natural resource conservation.

23 (g) Advance mitigation is needed to direct mitigation funding
24 for transportation projects to agreed-upon conservation priorities
25 and to the creation of habitat reserves and recreation areas that
26 enhance the sustainability of human and natural systems by
27 protecting or restoring connectivity of natural communities and
28 the delivery of ecosystem services.

29 (h) Advance mitigation can facilitate the implementation of
30 climate change adaptation strategies both for ecosystems and
31 California's economy.

32 (i) Advance mitigation can enable the state to protect, restore,
33 and recover its natural resources as it strengthens and improves
34 its transportation systems.

35 21203. The Legislature intends to do all of the following by
36 enacting this division:

37 (a) Facilitate delivery of transportation projects while ensuring
38 more effective natural resource conservation.

(b) Develop effective strategies to improve the state's ability to meet mounting demands for transportation improvements and to maximize conservation and other public benefits.

(c) Achieve conservation objectives of statewide and regional importance by coordinating local, state, and federally funded natural resource conservation efforts with mitigation actions required for impacts from transportation projects.

(d) Create administrative, governance, and financial incentives and mechanisms necessary to ensure that measures required to minimize or mitigate impacts from transportation projects will serve to achieve regional or statewide natural resource conservation objectives.

CHAPTER 2. DEFINITIONS

21204. For purposes of this division, the following terms have the following meanings:

(a) "Advance mitigation" means mitigation implemented before, and in anticipation of, environmental effects of planned transportation projects.

(b) "Commission" means the California Transportation Commission.

(c) "Department" means the Department of Transportation.

(d) "Transportation project" means a transportation capital improvement project.

(e) "Planned transportation project" means a transportation project that a transportation agency has concluded is reasonably likely to be constructed within 20 years and that has been identified to the agency for purposes of this division. A planned transportation project may include, but is not limited to, a transportation project that has been proposed for approval or that has been approved.

(f) "Program" means the Advance Mitigation Program implemented pursuant to this division.

(g) "Regulatory agency" means a state or federal natural resource protection agency with regulatory authority over planned transportation projects. A regulatory agency includes, but is not limited to, the Natural Resources Agency, the Department of Fish and Wildlife, California regional water quality control boards, the United States Fish and Wildlife Service, the National Marine

1 Fisheries Service, the United States Environmental Protection
2 Agency, and the United States Army Corps of Engineers.

3
4 CHAPTER 3. ADVANCE MITIGATION PROGRAM
5

6 21205. (a) The Advance Mitigation Program is hereby created
7 in the department to accelerate project delivery and improve
8 environmental outcomes of environmental mitigation for planned
9 transportation projects.

10 (b) The program may utilize mitigation instruments, including,
11 but not limited to, mitigation banks, in lieu of fee programs, and
12 conservation easements as defined in Section 815.1 of the Civil
13 Code.

14 (c) The department shall track all implemented advance
15 mitigation projects to use as credits for environmental mitigation
16 for state-sponsored transportation projects.

17 (d) The department may use advance mitigation credits to fulfill
18 mitigation requirements of any environmental law for a
19 transportation project eligible for the State Transportation
20 Improvement Program or the State Highway Operation and
21 Protection Program.

22 21206. No later than August 1, 2017, the department shall
23 establish an interagency transportation advance mitigation steering
24 committee consisting of the department and appropriate state and
25 federal regulatory agencies to support the program so that advance
26 mitigation can be used as required mitigation for planned
27 transportation projects and can provide improved environmental
28 outcomes. The committee shall advise the department of
29 opportunities to carry out advance mitigation projects, provide the
30 best available science, and actively participate in mitigation
31 instrument reviews and approvals. The committee shall seek to
32 develop streamlining opportunities, including those related to
33 landscape scale mitigation planning and alignment of federal and
34 state regulations and procedures related to mitigation requirements
35 and implementation. The committee shall also provide input on
36 crediting, using, and tracking of advance mitigation investments.

37 21207. The Advance Mitigation Fund is hereby created in the
38 State Transportation Fund as a revolving fund. Notwithstanding
39 Section 13340 of the Government Code, the fund shall be
40 continuously appropriated without regard to fiscal years. The

1 moneys in the fund shall be programmed by the commission for
2 the planning and implementation of advance mitigation projects
3 consistent with the purposes of this chapter. After the transfer of
4 moneys to the fund for four fiscal years pursuant to subdivision
5 (c) of Section 2032 of the Streets and Highways Code, commencing
6 in the 2017–18 fiscal year, the program is intended to be
7 self-sustaining. Advance expenditures from the fund shall later be
8 reimbursed from project funding available at the time a planned
9 transportation project is constructed. A maximum of 5 percent of
10 available funds may be used for administrative purposes.

11 21208. The program is intended to improve the efficiency and
12 efficacy of mitigation only and is not intended to supplant the
13 requirements of the California Environmental Quality Act (Division
14 13 (commencing with Section 21000) or any other environmental
15 law. The identification of planned transportation projects and of
16 mitigation projects or measures for planned transportation projects
17 under this division does not imply or require approval of those
18 projects for purposes of the California Environmental Quality Act
19 (Division 13 (commencing with Section 21000) or any other
20 environmental law.

21 SEC. 14. Section 99312.1 of the Public Utilities Code is
22 amended to read:

23 99312.1. (a) Revenues transferred to the Public Transportation
24 Account pursuant to Sections 6051.8 and 6201.8 of the Revenue
25 and Taxation Code are hereby continuously appropriated to the
26 Controller for allocation as follows:

27 ~~(a)~~

28 (1) Fifty percent for allocation to transportation planning
29 agencies, county transportation commissions, and the San Diego
30 Metropolitan Transit Development Board pursuant to Section
31 99314.

32 ~~(b)~~

33 (2) Fifty percent for allocation to transportation agencies, county
34 transportation commissions, and the San Diego Metropolitan
35 Transit Development Board for purposes of Section 99313.

36 (b) For purposes of this chapter, the revenues allocated pursuant
37 to this section shall be subject to the same requirements as revenues
38 allocated pursuant to subdivisions (b) and (c), as applicable, of
39 Section 99312.

1 (c) The revenues transferred to the Public Transportation
2 Account that are attributable to the increase in the sales and use
3 tax on diesel fuel pursuant to subdivision (b) of Section 6051.8 of
4 the Revenue and Taxation Code, as adjusted pursuant to
5 subdivision (c) of that section, and subdivision (b) of Section 6201.8
6 of the Revenue and Taxation Code, as adjusted pursuant to
7 subdivision (c) of that section, upon allocation pursuant to Sections
8 99313 and 99314, shall only be expended on the following:

9 (1) Transit capital projects or services to maintain or repair a
10 transit operator's existing transit vehicle fleet or existing transit
11 facilities, including rehabilitation or modernization of existing
12 vehicles or facilities.

13 (2) The design, acquisition, and construction of new vehicles
14 or facilities that improve existing transit services.

15 (3) Transit services that complement local efforts for repair and
16 improvement of local transportation infrastructure.

17 (d) (1) Prior to receiving an apportionment of funds pursuant
18 to subdivision (c) from the Controller in a fiscal year, a recipient
19 transit agency shall submit to the Department of Transportation
20 a list of projects proposed to be funded with these funds. The list
21 of projects proposed to be funded with these funds shall include
22 a description and location of each proposed project, a proposed
23 schedule for the project's completion, and the estimated useful life
24 of the improvement. The project list shall not limit the flexibility
25 of a recipient transit agency to fund projects in accordance with
26 local needs and priorities so long as the projects are consistent
27 with subdivision (c).

28 (2) The department shall report to the Controller the recipient
29 transit agencies that have submitted a list of projects as described
30 in this subdivision and that are therefore eligible to receive an
31 apportionment of funds for the applicable fiscal year. The
32 Controller, upon receipt of the report, shall apportion funds
33 pursuant to Sections 99313 and 99314.

34 (e) For each fiscal year, each recipient transit agency receiving
35 an apportionment of funds pursuant to subdivision (c) shall, upon
36 expending those funds, submit documentation to the department
37 that includes a description and location of each completed project,
38 the amount of funds expended on the project, the completion date,
39 and the estimated useful life of the improvement.

1 (f) *The audit of transit operator finances required pursuant to*
2 *Section 99245 shall verify that the revenues identified in*
3 *subdivision (c) have been expended in conformance with these*
4 *specific requirements and all other generally applicable*
5 *requirements.*

6 SEC. 15. Section 99314.9 is added to the Public Utilities Code,
7 to read:

8 99314.9. The Controller shall compute quarterly proposed
9 allocations for State Transit Assistance funds available for
10 allocation pursuant to Sections 99313 and 99314. The Controller
11 shall publish the allocations for each eligible recipient agency,
12 including one list applicable to revenues allocated pursuant to
13 subdivision (c) of Section 99312.1 and another list for revenues
14 allocated from all other revenues in the Public Transportation
15 Account that are designated for the State Transit Assistance
16 Program.

17 SEC. 16. Section 6051.8 of the Revenue and Taxation Code
18 is amended to read:

19 6051.8. (a) Except as provided by Section 6357.3, in addition
20 to the taxes imposed by this part, for the privilege of selling
21 tangible personal property at retail a tax is hereby imposed upon
22 all retailers at the rate of 1.75 percent of the gross receipts of any
23 retailer from the sale of all diesel fuel, as defined in Section 60022,
24 ~~sold at retail in this state on and after the operative date of this~~
25 ~~subdivision.~~ *fuel.*

26 (b) *Except as provided by Section 6357.3, in addition to the*
27 *taxes imposed by this part and by subdivision (a), for the privilege*
28 *of selling tangible personal property at retail a tax is hereby*
29 *imposed upon all retailers at the rate of 3.5 percent of the gross*
30 *receipts of any retailer from the sale of all diesel fuel, as defined*
31 *in Section 60022, sold at retail in this state. The tax imposed under*
32 *this subdivision shall be imposed on and after the first day of the*
33 *first calendar quarter that occurs 120 days after the effective date*
34 *of the act adding this subdivision.*

35 ~~(b) Notwithstanding subdivision (a), for~~

36 (c) *Beginning July 1, 2019, and every third year thereafter, the*
37 ~~2011-12 fiscal year only, State Board of Equalization shall~~
38 ~~recompute the rate referenced in subdivision (a) rates of the taxes~~
39 ~~imposed by this section. That computation shall be 1.87 percent.~~
40 *made as follows:*

~~(c) Notwithstanding subdivision (a),~~

~~(1) The Department of Finance shall transmit to the State Board of Equalization the percentage change in the California Consumer Price Index for all items from November of three calendar years prior to November of the 2012-13 fiscal year only, the rate referenced in subdivision (a) shall be 2.17 percent. prior calendar year, no later than January 31, 2019, and January 31 of every third year thereafter.~~

~~(d) Notwithstanding subdivision (a), for~~

~~(2) The State Board of Equalization shall do all of the following:~~

~~(A) Compute an inflation adjustment factor by adding 100 percent to the percentage change figure that is furnished pursuant to paragraph (1) and dividing the result by 100.~~

~~(B) Multiply the preceding tax rate per gallon by the inflation adjustment factor determined in subparagraph (A) and round off the resulting product to the nearest tenth of a cent.~~

~~(C) Make its determination of the 2013-14 fiscal year only, new rate no later than March 1 of the rate referenced in subdivision (a) shall be 1.94 percent. same year as the effective date of the new rate.~~

~~(e)~~

~~(d) Notwithstanding subdivision (b) of Section 7102, all of the revenues, less refunds, collected pursuant to this section shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and transferred quarterly to the Public Transportation Account in the State Transportation Fund for allocation pursuant to Section 99312.1 of the Public Utilities Code.~~

~~(f) Subdivisions (a) to (e), inclusive, shall become operative on July 1, 2011.~~

SEC. 17. Section 6201.8 of the Revenue and Taxation Code is amended to read:

6201.8. (a) Except as provided by Section 6357.3, in addition to the taxes imposed by this part, an excise tax is hereby imposed on the storage, use, or other consumption in this state of diesel fuel, as defined in Section 60022, at the rate of 1.75 percent of the sales price of the diesel fuel on and after the operative date of this subdivision: fuel.

~~(b) Notwithstanding subdivision (a), for~~

(b) Except as provided by Section 6357.3, in addition to the taxes imposed by this part and by subdivision (a), an excise tax is hereby imposed on the storage, use, or other consumption in this state of diesel fuel, as defined in Section 60022, at the rate of 3.5 percent of the sales price of the diesel fuel. The tax imposed under this subdivision shall be imposed on and after the first day of the first calendar quarter that occurs 120 days after the effective date of the act adding this subdivision.

(c) Beginning July 1, 2019, and every third year thereafter, the ~~2011-12 fiscal year only~~, State Board of Equalization shall recompute the rate referenced in subdivision (a) rates of the taxes imposed by this section. That computation shall be ~~1.87 percent~~. made as follows:

~~(c) Notwithstanding subdivision (a),~~

(1) The Department of Finance shall transmit to the State Board of Equalization the percentage change in the California Consumer Price Index for all items from November of three calendar years prior to November of the ~~2012-13 fiscal year only~~, the rate referenced in subdivision (a) shall be 2.17 percent. prior calendar year, no later than January 31, 2019, and January 31 of every third year thereafter.

~~(d) Notwithstanding subdivision (a), for~~

(2) The State Board of Equalization shall do all of the following:

(A) Compute an inflation adjustment factor by adding 100 percent to the percentage change figure that is furnished pursuant to paragraph (1) and dividing the result by 100.

(B) Multiply the preceding tax rate per gallon by the inflation adjustment factor determined in subparagraph (A) and round off the resulting product to the nearest tenth of a cent.

(C) Make its determination of the ~~2013-14 fiscal year only~~, new rate no later than March 1 of the rate referenced in subdivision (a) shall be 1.94 percent. same year as the effective date of the new rate.

~~(e)~~

(d) Notwithstanding subdivision (b) of Section 7102, all of the revenues, less refunds, collected pursuant to this section shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and transferred quarterly to the Public Transportation Account in the State Transportation Fund

for allocation pursuant to Section 99312.1 of the Public Utilities Code.

~~(f) Subdivisions (a) to (e), inclusive, shall become operative on July 1, 2011.~~

SEC. 18. Section 7360 of the Revenue and Taxation Code is amended to read:

7360. (a) (1) (A) A tax of eighteen cents (\$0.18) is hereby imposed upon each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364.

(B) *In addition to the tax imposed pursuant to subparagraph (A), on and after the first day of the first calendar quarter that occurs 90 days after the effective date of the act adding this subparagraph, a tax of twelve cents (\$0.12) is hereby imposed upon each gallon of fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364.*

(2) If the federal fuel tax is reduced below the rate of nine cents (\$0.09) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by *subparagraph (A) of paragraph (1)*, on and after the date of the reduction, shall be recalculated by an amount so that the combined state rate under *subparagraph (A) of paragraph (1)* and the federal tax rate per gallon equal twenty-seven cents (\$0.27).

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be so exempt under this section.

~~(b) (1)~~ On and after July 1, 2010, in addition to the tax imposed by subdivision (a), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364 in an amount equal to seventeen and three-tenths cents (\$0.173) per gallon.

~~(2) For the 2011-12 fiscal year~~

(c) Beginning July 1, 2019, and each fiscal every third year thereafter, the board shall, on or before March 1 State Board of the fiscal year immediately preceding the applicable fiscal year, adjust the rate in paragraph (1) in that manner as to generate an amount Equalization shall recompute the rates of revenue that will equal the amount of revenue loss attributable to the exemption provided taxes imposed by Section 6357.7, based on estimates made by the board, and that rate this section. That computation

1 shall be ~~effective during the state's next fiscal year.~~ *made as*
2 *follows:*

3 ~~(3) In order to maintain revenue neutrality for each year,~~
4 ~~beginning with~~

5 *(1) The Department of Finance shall transmit to the State Board*
6 *of Equalization the percentage change in the California Consumer*
7 *Price Index for all items from November of three calendar years*
8 *prior to November of the prior calendar year, no later than January*
9 *31, 2019, and January 31 of every third year thereafter.*

10 *(2) The State Board of Equalization shall do all of the following:*

11 *(A) Compute an inflation adjustment factor by adding 100*
12 *percent to the percentage change figure that is furnished pursuant*
13 *to paragraph (1) and dividing the result by 100.*

14 ~~(B) Multiply the preceding tax rate adjustment on or before~~
15 ~~March 1, 2012, the adjustment under paragraph (2) shall also take~~
16 ~~into account the extent to which the actual amount of revenues~~
17 ~~derived pursuant to this subdivision and, as applicable, Section~~
18 ~~7361.1, the revenue loss attributable to the exemption provided~~
19 ~~per gallon by Section 6357.7 resulted the inflation adjustment~~
20 ~~factor determined in a net revenue gain or loss for subparagraph~~
21 ~~(A) and round off the fiscal year ending prior resulting product to~~
22 ~~the rate adjustment date on or before March 1, nearest tenth of a~~
23 ~~cent.~~

24 ~~(4) The intent~~

25 ~~(C) Make its determination of paragraphs (2) and (3) is to ensure~~
26 ~~that the act adding this subdivision and Section 6357.7 does not~~
27 ~~produce a net revenue gain in state taxes. new rate no later than~~
28 ~~March 1 of the same year as the effective date of the new rate.~~

29 SEC. 19. Section 8352.4 of the Revenue and Taxation Code
30 is amended to read:

31 8352.4. (a) Subject to Sections 8352 and 8352.1, and except
32 as otherwise provided in subdivision (b), there shall be transferred
33 from the money deposited to the credit of the Motor Vehicle Fuel
34 Account to the Harbors and Watercraft Revolving Fund, for
35 expenditure in accordance with Division 1 (commencing with
36 Section 30) of the Harbors and Navigation Code, the sum of six
37 million six hundred thousand dollars (\$6,600,000) per annum,
38 representing the amount of money in the Motor Vehicle Fuel
39 Account attributable to taxes imposed on distributions of motor
40 vehicle fuel used or usable in propelling vessels. The actual amount

1 shall be calculated using the annual reports of registered boats
2 prepared by the Department of Motor Vehicles for the United
3 States Coast Guard and the formula and method of the December
4 1972 report prepared for this purpose and submitted to the
5 Legislature on December 26, 1972, by the Director of
6 Transportation. If the amount transferred during each fiscal year
7 is in excess of the calculated amount, the excess shall be
8 retransferred from the Harbors and Watercraft Revolving Fund to
9 the Motor Vehicle Fuel Account. If the amount transferred is less
10 than the amount calculated, the difference shall be transferred from
11 the Motor Vehicle Fuel Account to the Harbors and Watercraft
12 Revolving Fund. No adjustment shall be made if the computed
13 difference is less than fifty thousand dollars (\$50,000), and the
14 amount shall be adjusted to reflect any temporary or permanent
15 increase or decrease that may be made in the rate under the Motor
16 Vehicle Fuel Tax Law. Payments pursuant to this section shall be
17 made prior to payments pursuant to Section 8352.2.

18 (b) Commencing July 1, ~~2012~~, 2017, the revenues attributable
19 to the taxes imposed pursuant to subdivision (b) of Section 7360
20 and Section 7361.1 and otherwise to be deposited in the Harbors
21 and Watercraft Revolving Fund pursuant to subdivision (a) shall
22 instead be transferred to the ~~General Fund~~. The revenues
23 ~~attributable to the taxes imposed~~ *Highway Users Tax Account for*
24 *distribution* pursuant to subdivision (b) of Section 7360 and Section
25 ~~7361.1 that were deposited in 2103.1 of the Harbors Streets and~~
26 ~~Watercraft Revolving Fund in the 2010-11 and 2011-12 fiscal~~
27 ~~years shall be transferred to the General Fund.~~ *Highways Code.*

28 SEC. 20. Section 8352.5 of the Revenue and Taxation Code
29 is amended to read:

30 8352.5. (a) (1) Subject to Sections 8352 and 8352.1, and
31 except as otherwise provided in subdivision (b), there shall be
32 transferred from the money deposited to the credit of the Motor
33 Vehicle Fuel Account to the Department of Food and Agriculture
34 Fund, during the second quarter of each fiscal year, an amount
35 equal to the estimate contained in the most recent report prepared
36 pursuant to this section.

37 (2) The amounts are not subject to Section 6357 with respect
38 to the collection of sales and use taxes thereon, and represent the
39 portion of receipts in the Motor Vehicle Fuel Account during a
40 calendar year that were attributable to agricultural off-highway

1 use of motor vehicle fuel which is subject to refund pursuant to
2 Section 8101, less gross refunds allowed by the Controller during
3 the fiscal year ending June 30th 30 following the calendar year to
4 persons entitled to refunds for agricultural off-highway use
5 pursuant to Section 8101. Payments pursuant to this section shall
6 be made prior to payments pursuant to Section 8352.2.

7 (b) Commencing July 1, ~~2012~~, 2017, the revenues attributable
8 to the taxes imposed pursuant to subdivision (b) of Section 7360
9 and Section 7361.1 and otherwise to be deposited in the
10 Department of Food and Agriculture Fund pursuant to subdivision
11 (a) shall instead be transferred to the ~~General Fund~~. The revenues
12 attributable to the taxes imposed *Highway Users Tax Account for*
13 *distribution* pursuant to subdivision (b) of Section 7360 and Section
14 7361.1 that were deposited in the Department 2103.1 of Food and
15 Agriculture Fund in the 2010–11 *Streets* and 2011–12 fiscal years
16 shall be transferred to the ~~General Fund~~. *Highways Code*.

17 (c) On or before September 30, 2012, and on or before
18 September 30 of each even-numbered year thereafter, the Director
19 of Transportation and the Director of Food and Agriculture shall
20 jointly prepare, or cause to be prepared, a report setting forth the
21 current estimate of the amount of money in the Motor Vehicle
22 Fuel Account attributable to agricultural off-highway use of motor
23 vehicle fuel, which is subject to refund pursuant to Section 8101
24 less gross refunds allowed by the Controller to persons entitled to
25 refunds for agricultural off-highway use pursuant to Section 8101;
26 and they shall submit a copy of the report to the Legislature.

27 SEC. 21. Section 8352.6 of the Revenue and Taxation Code
28 is amended to read:

29 8352.6. (a) (1) Subject to Section 8352.1, and except as
30 otherwise provided in paragraphs (2) and (3), on the first day of
31 every month, there shall be transferred from moneys deposited to
32 the credit of the Motor Vehicle Fuel Account to the Off-Highway
33 Vehicle Trust Fund created by Section 38225 of the Vehicle Code
34 an amount attributable to taxes imposed upon distributions of motor
35 vehicle fuel used in the operation of motor vehicles off highway
36 and for which a refund has not been claimed. Transfers made
37 pursuant to this section shall be made prior to transfers pursuant
38 to Section 8352.2.

39 (2) Commencing July 1, ~~2012~~, 2017, the revenues attributable
40 to the taxes imposed pursuant to subdivision (b) of Section 7360

1 and Section 7361.1 and otherwise to be deposited in the
2 Off-Highway Vehicle Trust Fund pursuant to paragraph (1) shall
3 instead be transferred to the ~~General Fund. The revenues~~
4 ~~attributable to the taxes imposed~~ *Highway Users Tax Account for*
5 *distribution* pursuant to subdivision (b) of Section 7360 and Section
6 7361.1 that were deposited in 2103.1 of the Off-Highway Vehicle
7 Trust Fund in the 2010–11 *Streets* and 2011–12 fiscal years shall
8 be transferred to the General Fund. *Highways Code.*

9 (3) The Controller shall withhold eight hundred thirty-three
10 thousand dollars (\$833,000) from the monthly transfer to the
11 Off-Highway Vehicle Trust Fund pursuant to paragraph (1), and
12 transfer that amount to the General Fund.

13 (b) The amount transferred to the Off-Highway Vehicle Trust
14 Fund pursuant to paragraph (1) of subdivision (a), as a percentage
15 of the Motor Vehicle Fuel Account, shall be equal to the percentage
16 transferred in the 2006–07 fiscal year. Every five years, starting
17 in the 2013–14 fiscal year, the percentage transferred may be
18 adjusted by the Department of Transportation in cooperation with
19 the Department of Parks and Recreation and the Department of
20 Motor Vehicles. Adjustments shall be based on, but not limited
21 to, the changes in the following factors since the 2006–07 fiscal
22 year or the last adjustment, whichever is more recent:

23 (1) The number of vehicles registered as off-highway motor
24 vehicles as required by Division 16.5 (commencing with Section
25 38000) of the Vehicle Code.

26 (2) The number of registered street-legal vehicles that are
27 anticipated to be used off highway, including four-wheel drive
28 vehicles, all-wheel drive vehicles, and dual-sport motorcycles.

29 (3) Attendance at the state vehicular recreation areas.

30 (4) Off-highway recreation use on federal lands as indicated by
31 the United States Forest Service’s National Visitor Use Monitoring
32 and the United States Bureau of Land Management’s Recreation
33 Management Information System.

34 (c) It is the intent of the Legislature that transfers from the Motor
35 Vehicle Fuel Account to the Off-Highway Vehicle Trust Fund
36 should reflect the full range of motorized vehicle use off highway
37 for both motorized recreation and motorized off-road access to
38 other recreation opportunities. Therefore, the Legislature finds that
39 the fuel tax baseline established in subdivision (b), attributable to
40 off-highway estimates of use as of the 2006–07 fiscal year,

1 accounts for the three categories of vehicles that have been found
2 over the years to be users of fuel for off-highway motorized
3 recreation or motorized access to nonmotorized recreational
4 pursuits. These three categories are registered off-highway
5 motorized vehicles, registered street-legal motorized vehicles used
6 off highway, and unregistered off-highway motorized vehicles.

7 (d) It is the intent of the Legislature that the off-highway motor
8 vehicle recreational use to be determined by the Department of
9 Transportation pursuant to paragraph (2) of subdivision (b) be that
10 usage by vehicles subject to registration under Division 3
11 (commencing with Section 4000) of the Vehicle Code, for
12 recreation or the pursuit of recreation on surfaces where the use
13 of vehicles registered under Division 16.5 (commencing with
14 Section 38000) of the Vehicle Code may occur.

15 (e) In the 2014–15 fiscal year, the Department of Transportation,
16 in consultation with the Department of Parks and Recreation and
17 the Department of Motor Vehicles, shall undertake a study to
18 determine the appropriate adjustment to the amount transferred
19 pursuant to subdivision (b) and to update the estimate of the amount
20 attributable to taxes imposed upon distributions of motor vehicle
21 fuel used in the operation of motor vehicles off highway and for
22 which a refund has not been claimed. The department shall provide
23 a copy of this study to the Legislature no later than January 1,
24 2016.

25 SEC. 22. Section 60050 of the Revenue and Taxation Code is
26 amended to read:

27 60050. (a) (1) A tax of ~~eighteen~~ *thirteen* cents (~~\$0.18~~) (*\$0.13*)
28 is hereby imposed upon each gallon of diesel fuel subject to the
29 tax in Sections 60051, 60052, and 60058.

30 (2) If the federal fuel tax is reduced below the rate of fifteen
31 cents (\$0.15) per gallon and federal financial allocations to this
32 state for highway and exclusive public mass transit guideway
33 purposes are reduced or eliminated correspondingly, the tax rate
34 imposed by paragraph (1), ~~including any reduction or adjustment~~
35 ~~pursuant to subdivision (b), on and after the date of the reduction,~~
36 (1) shall be increased by an amount so that the combined state rate
37 under paragraph (1) and the federal tax rate per gallon equal what
38 it would have been in the absence of the federal reduction.

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be exempt under this section.

~~(b) (1) On July 1, 2011, the tax rate specified in paragraph (1) of subdivision (a) shall be reduced to thirteen cents (\$0.13) and every July 1 thereafter shall be adjusted pursuant to paragraphs (2) and (3).~~

~~(2) For the 2012–13 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate reduction in paragraph (1) in that manner as to result in a revenue loss attributable to paragraph (1) that will equal the amount of revenue gain attributable to Sections 6051.8 and 6201.8, based on estimates made by the board, and that rate shall be effective during the state's next fiscal year.~~

~~(3) In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2013, the adjustment under paragraph (2) shall take into account the extent to which the actual amount of revenues derived pursuant to Sections 6051.8 and 6201.8 and the revenue loss attributable to this subdivision resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.~~

~~(4) The intent of paragraphs (2) and (3) is to ensure that the act adding this subdivision and Sections 6051.8 and 6201.8 does not produce a net revenue gain in state taxes.~~

(b) In addition to the tax imposed pursuant to subdivision (a), on and after the first day of the first calendar quarter that occurs 120 days after the effective date of the act amending this subdivision in the 2017–18 Regular Session, an additional tax of twenty cents (\$0.20) is hereby imposed upon each gallon of diesel fuel subject to the tax in Sections 60051, 60052, and 60058.

(c) Beginning July 1, 2019, and every third year thereafter, the State Board of Equalization shall recompute the rates of the taxes imposed by this section. That computation shall be made as follows:

(1) The Department of Finance shall transmit to the State Board of Equalization the percentage change in the California Consumer Price Index for all items from November of three calendar years

1 prior to November of the prior calendar year, no later than January
2 31, 2019, and January 31 of every third year thereafter.

3 (2) The State Board of Equalization shall do all of the following:

4 (A) Compute an inflation adjustment factor by adding 100
5 percent to the percentage change figure that is furnished pursuant
6 to paragraph (1) and dividing the result by 100.

7 (B) Multiply the preceding tax rate per gallon by the inflation
8 adjustment factor determined in subparagraph (A) and round off
9 the resulting product to the nearest tenth of a cent.

10 (C) Make its determination of the new rate no later than March
11 1 of the same year as the effective date of the new rate.

12 SEC. 23. Section 183.1 of the Streets and Highways Code is
13 amended to read:

14 183.1. ~~(a) Notwithstanding subdivision (a) of Except as~~
15 ~~otherwise provided in Section 182 or any other provision 54237.7~~
16 ~~of law, the Government Code, money deposited into the account~~
17 ~~that is not subject to Article XIX of the California Constitution,~~
18 ~~including, but not limited to, money that is derived from the sale~~
19 ~~of documents, charges for miscellaneous services to the public,~~
20 ~~condemnation deposits fund investments, rental of state property,~~
21 ~~or any other miscellaneous uses of property or money, may shall~~
22 ~~be used for any transportation purpose authorized by statute, upon~~
23 ~~appropriation by deposited in the Legislature or, after transfer Road~~
24 ~~Maintenance and Rehabilitation Account created pursuant to~~
25 ~~another fund, upon appropriation by the Legislature from that fund.~~
26 ~~Section 2031.~~

27 ~~(b) Commencing with the 2013-14 fiscal year, and not later~~
28 ~~than November 1 of each fiscal year thereafter, based on prior year~~
29 ~~financial statements, the Controller shall transfer the funds~~
30 ~~identified in subdivision (a) for the prior fiscal year from the State~~
31 ~~Highway Account to the Transportation Debt Service Fund in the~~
32 ~~State Transportation Fund, and those funds are continuously~~
33 ~~appropriated for the purposes specified for the Transportation Debt~~
34 ~~Service Fund.~~

35 SEC. 24. Section 820.1 is added to the Streets and Highways
36 Code, to read:

37 820.1. (a) The State of California consents to the jurisdiction
38 of the federal courts with regard to the compliance, discharge, or
39 enforcement of the responsibilities assumed by the department

1 pursuant to Sections 326 and 327(a) of Title 23 of the United States
2 Code.

3 (b) In any action brought pursuant to the federal laws described
4 in subdivision (a), no immunity from suit may be asserted by the
5 department pursuant to the Eleventh Amendment to the United
6 States Constitution, and any immunity is hereby waived.

7 (c) The department shall not delegate any of its responsibilities
8 assumed pursuant to the federal laws described in subdivision (a)
9 to any political subdivision of the state or its instrumentalities.

10 (d) Nothing in this section affects the obligation of the
11 department to comply with state and federal law.

12 SEC. 25. Chapter 2 (commencing with Section 2030) is added
13 to Division 3 of the Streets and Highways Code, to read:

14
15 CHAPTER 2. ROAD MAINTENANCE AND REHABILITATION
16 PROGRAM
17

18 2030. (a) The Road Maintenance and Rehabilitation Program
19 is hereby created to address deferred maintenance on the state
20 highway system and the local street and road system. Funds made
21 available by the program shall be prioritized for expenditure on
22 basic road maintenance and road rehabilitation projects, and on
23 critical safety projects. For funds appropriated pursuant to
24 paragraph (1) of subdivision (d) of Section 2032, the California
25 Transportation Commission shall adopt performance criteria,
26 consistent with the asset management plan required pursuant to
27 14526.4 of the Government Code, to ensure efficient use of the
28 funds available for these purposes in the program.

29 (b) (1) Funds made available by the program shall be used for
30 projects that include, but are not limited to, the following:

31 (A) Road maintenance and rehabilitation.

32 (B) Safety projects.

33 (C) Railroad grade separations.

34 (D) Complete street components, including active transportation
35 purposes, pedestrian and bicycle safety projects, transit facilities,
36 and drainage and stormwater capture projects in conjunction with
37 any other allowable project.

38 (E) Traffic control devices.

(2) Funds made available by the program may also be used to satisfy a match requirement in order to obtain state or federal funds for projects authorized by this subdivision.

2031. The following revenues shall be deposited in the Road Maintenance and Rehabilitation Account, which is hereby created in the State Transportation Fund:

(a) The portion of the revenues in the Highway Users Tax Account attributable to the increase in the motor vehicle fuel excise tax pursuant to subparagraph (B) of paragraph (1) of subdivision (a) of Section 7360 of the Revenue and Taxation Code, as adjusted pursuant to subdivision (c) of that section.

(b) The revenues from the increase in the vehicle registration fee pursuant to Section 9250.3 of the Vehicle Code, as adjusted pursuant to subdivision (b) of that section.

(c) The revenues from the increase in the vehicle registration fee pursuant to Section 9250.6 of the Vehicle Code, as adjusted pursuant to subdivision (b) of that section.

(d) The revenues deposited in the account pursuant to Section 183.1 of the Streets and Highways Code.

(e) Any other revenues designated for the program.

2031.5. Each fiscal year the annual Budget Act shall contain an appropriation from the Road Maintenance and Rehabilitation Account to the Controller for the costs of carrying out his or her duties pursuant to this chapter and to the California Transportation Commission for the costs of carrying out its duties pursuant to this chapter and Section 14526.7 of the Government Code.

2032. (a) (1) After deducting the amounts appropriated in the annual Budget Act, as provided in Section 2031.5, two hundred million dollars (\$200,000,000) of the remaining revenues deposited in the Road Maintenance and Rehabilitation Account shall be set aside annually for counties that have sought and received voter approval of taxes or that have imposed fees, including uniform developer fees as defined by subdivision (b) of Section 8879.67 of the Government Code, which taxes or fees are dedicated solely to transportation improvements. The Controller shall each month set aside one-twelfth of this amount, to accumulate a total of two hundred million dollars (\$200,000,000) in each fiscal year.

(2) Notwithstanding Section 13340 of the Government Code, the funds available under this subdivision in each fiscal year are hereby continuously appropriated for allocation to each eligible

1 county and each city in the county for road maintenance and
2 rehabilitation purposes pursuant to Section 2033.

3 (b) (1) After deducting the amounts appropriated in the annual
4 Budget Act pursuant to Section 2031.5 and the amount allocated
5 in subdivision (a), beginning in the 2017–18 fiscal year, eighty
6 million dollars (\$80,000,000) of the remaining revenues shall be
7 transferred annually to the State Highway Account for expenditure,
8 upon appropriation by the Legislature, on the Active Transportation
9 Program created pursuant to Chapter 8 (commencing with Section
10 2380) of Division 3 to be allocated by the California Transportation
11 Commission pursuant to Section 2381.

12 (2) In addition to the funds transferred in paragraph (1), the
13 department shall annually identify savings achieved through
14 efficiencies implemented at the department. The department,
15 through the annual budget process, shall propose, from the
16 identified savings, an appropriation to be included in the annual
17 Budget Act of up to seventy million dollars (\$70,000,000), but not
18 to exceed the total annual identified savings, from the State
19 Highway Account for expenditure on the Active Transportation
20 Program.

21 (c) After deducting the amounts appropriated in the annual
22 Budget Act pursuant to Section 2031.5, the amount allocated in
23 subdivision (a) and the amount transferred in paragraph (1) of
24 subdivision (b), in the 2017–18, 2018–19, 2019–20, and 2020–21
25 fiscal years, the sum of thirty million dollars (\$30,000,000) in each
26 fiscal year from the remaining revenues shall be transferred to the
27 Advance Mitigation Fund in the State Transportation Fund created
28 pursuant to Section 21207 of the Public Resources Code.

29 (d) After deducting the amounts appropriated in the annual
30 Budget Act pursuant to Section 2031.5, the amount allocated in
31 subdivision (a), and the amounts transferred in paragraph (1) of
32 subdivision (b) and in subdivision (c), beginning in the 2017–18
33 fiscal year and each fiscal year thereafter, and notwithstanding
34 Section 13340 of the Government Code, there is hereby
35 continuously appropriated to the California State University the
36 sum of two million dollars (\$2,000,000) from the remaining
37 revenues for the purpose of conducting transportation research and
38 transportation-related workforce education, training, and
39 development, and to the institutes for transportation studies at the
40 University of California the sum of three million dollars

1 (\$3,000,000). Prior to the start of each fiscal year, the chairs of the
2 Assembly Committee on Transportation and the Senate Committee
3 on Transportation and Housing shall confer and set out a
4 recommended priority list of research components to be addressed
5 in the upcoming fiscal year.

6 (e) Notwithstanding Section 13340 of the Government Code,
7 the balance of the revenues deposited in the Road Maintenance
8 and Rehabilitation Account are hereby continuously appropriated
9 as follows:

10 (1) Fifty percent for allocation to the department for maintenance
11 of the state highway system or for purposes of the state highway
12 operation and protection program.

13 (2) Fifty percent for apportionment to cities and counties by the
14 Controller pursuant to the formula in clauses (i) and (ii) of
15 subparagraph (C) of paragraph (3) of subdivision (a) of Section
16 2103 for the purposes authorized by this chapter.

17 2033. (a) On or before July 1, 2017, the commission, in
18 cooperation with the department, transportation planning agencies,
19 county transportation commissions, and other local agencies, shall
20 develop guidelines for the allocation of funds pursuant to
21 subdivision (a) of Section 2032.

22 (b) The guidelines shall be the complete and full statement of
23 the policy, standards, and criteria that the commission intends to
24 use to determine how these funds will be allocated.

25 (c) The commission may amend the adopted guidelines after
26 conducting at least one public hearing.

27 2034. (a) (1) Prior to receiving an apportionment of funds
28 under the program pursuant to paragraph (2) of subdivision (e) of
29 Section 2032 from the Controller in a fiscal year, an eligible city
30 or county shall submit to the commission a list of projects proposed
31 to be funded with these funds pursuant to an adopted city or county
32 budget. All projects proposed to receive funding shall be included
33 in a city or county budget that is adopted by the applicable city
34 council or county board of supervisors at a regular public meeting.
35 The list of projects proposed to be funded with these funds shall
36 include a description and the location of each proposed project, a
37 proposed schedule for the project's completion, and the estimated
38 useful life of the improvement. The project list shall not limit the
39 flexibility of an eligible city or county to fund projects in

1 accordance with local needs and priorities so long as the projects
2 are consistent with subdivision (b) of Section 2030.

3 (2) The commission shall report to the Controller the cities and
4 counties that have submitted a list of projects as described in this
5 subdivision and that are therefore eligible to receive an
6 apportionment of funds under the program for the applicable fiscal
7 year. The Controller, upon receipt of the report, shall apportion
8 funds to eligible cities and counties.

9 (b) For each fiscal year, each city or county receiving an
10 apportionment of funds shall, upon expending program funds,
11 submit documentation to the commission that includes a description
12 and location of each completed project, the amount of funds
13 expended on the project, the completion date, and the estimated
14 useful life of the improvement.

15 2036. (a) Cities and counties shall maintain their existing
16 commitment of local funds for street, road, and highway purposes
17 in order to remain eligible for an allocation or apportionment of
18 funds pursuant to Section 2032.

19 (b) In order to receive an allocation or apportionment pursuant
20 to Section 2032, the city or county shall annually expend from its
21 general fund for street, road, and highway purposes an amount not
22 less than the annual average of its expenditures from its general
23 fund during the 2009–10, 2010–11, and 2011–12 fiscal years, as
24 reported to the Controller pursuant to Section 2151. For purposes
25 of this subdivision, in calculating a city's or county's annual
26 general fund expenditures and its average general fund expenditures
27 for the 2009–10, 2010–11, and 2011–12 fiscal years, any
28 unrestricted funds that the city or county may expend at its
29 discretion, including vehicle in-lieu tax revenues and revenues
30 from fines and forfeitures, expended for street, road, and highway
31 purposes shall be considered expenditures from the general fund.
32 One-time allocations that have been expended for street and
33 highway purposes, but which may not be available on an ongoing
34 basis, including revenue provided under the Teeter Plan Bond Law
35 of 1994 (Chapter 6.6 (commencing with Section 54773) of Part 1
36 of Division 2 of Title 5 of the Government Code), may not be
37 considered when calculating a city's or county's annual general
38 fund expenditures.

39 (c) For any city incorporated after July 1, 2009, the Controller
40 shall calculate an annual average expenditure for the period

1 between July 1, 2009, and December 31, 2015, inclusive, that the
2 city was incorporated.

3 (d) For purposes of subdivision (b), the Controller may request
4 fiscal data from cities and counties in addition to data provided
5 pursuant to Section 2151, for the 2009–10, 2010–11, and 2011–12
6 fiscal years. Each city and county shall furnish the data to the
7 Controller not later than 120 days after receiving the request. The
8 Controller may withhold payment to cities and counties that do
9 not comply with the request for information or that provide
10 incomplete data.

11 (e) The Controller may perform audits to ensure compliance
12 with subdivision (b) when deemed necessary. Any city or county
13 that has not complied with subdivision (b) shall reimburse the state
14 for the funds it received during that fiscal year. Any funds withheld
15 or returned as a result of a failure to comply with subdivision (b)
16 shall be reappropriated to the other cities and counties whose
17 expenditures are in compliance.

18 (f) If a city or county fails to comply with the requirements of
19 subdivision (b) in a particular fiscal year, the city or county may
20 expend during that fiscal year and the following fiscal year a total
21 amount that is not less than the total amount required to be
22 expended for those fiscal years for purposes of complying with
23 subdivision (b).

24 2037. A city or county may spend its apportionment of funds
25 under the program on transportation priorities other than those
26 allowable pursuant to this chapter if the city's or county's average
27 Pavement Condition Index meets or exceeds 80.

28 2038. (a) The department and local agencies, as a condition
29 of receiving funds from the program, shall adopt and implement
30 a program designed to promote and advance construction
31 employment and training opportunities through preapprenticeship
32 opportunities, either by the public agency itself or through
33 contractors engaged by the public agencies to do work funded in
34 whole or in part by funds made available by the program.

35 (b) The department and local agencies, as a condition of
36 receiving funds from the program, shall ensure the involvement
37 of the California Conservation Corps and certified community
38 conservation corps in the delivery of projects and services funded
39 in whole or in part by funds made available by the program.

SEC. 26. Section 2103.1 is added to the Streets and Highways Code, to read:

2103.1. (a) Notwithstanding Section 2103, the revenues transferred to the Highway Users Tax Account pursuant to Sections 8352.4, 8352.5, and 8352.6 of the Revenue and Taxation Code shall be distributed pursuant to the formula in paragraph (3) of subdivision (a) of Section 2103.

(b) Notwithstanding subdivision (b) of Section 2103, the portion of revenues in the Highway Users Tax Account attributable to the increase in the motor vehicle fuel excise tax pursuant to subparagraph (B) of paragraph (1) of subdivision (a) of Section 7360 of the Revenue and Taxation Code, as adjusted pursuant to subdivision (c) of that section, shall be transferred to the Road Maintenance and Rehabilitation Account pursuant to Section 2031.

(c) Notwithstanding subdivision (b) of Section 2103, the portion of revenues in the Highway Users Tax Account attributable to the increase in the diesel fuel excise tax pursuant to subdivision (b) of Section 60050 of the Revenue and Taxation Code, as adjusted pursuant to subdivision (c) of that section, shall be transferred to the Trade Corridors Improvement Fund pursuant to Section 2192.4.

SEC. 27. Section 2192 of the Streets and Highways Code is amended to read:

2192. (a) (1) The Trade Corridors Improvement Fund, created pursuant to subdivision (c) of Section 8879.23 of the Government Code, is hereby continued in existence to receive revenues from state sources other than the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. ~~This chapter shall govern expenditure of those other revenues.~~

(2) *Revenues apportioned to the state under Section 167 of Title 23 of the United States Code from the national highway freight program, pursuant to the federal Fixing America's Surface Transportation Act ("FAST Act," Public Law 114-94) shall be allocated for projects approved pursuant to this chapter.*

(b) *This chapter shall govern the expenditure of those state and federal revenues described in subdivision (a).*

~~(b)~~
(c) ~~The moneys funding described in the fund from those other sources~~ subdivision (a) shall be available upon appropriation for allocation by the California Transportation Commission for infrastructure improvements in this state on federally designated

1 Trade Corridors of National and Regional Significance, on the
2 Primary Freight Network, and along other corridors that have a
3 high volume of freight movement, as determined by the
4 commission. In determining the projects eligible for funding, the
5 commission shall consult the Transportation Agency's state freight
6 plan as described in Section 13978.8 of the Government Code, the
7 ~~State Air Resources Board's Sustainable Freight Strategy adopted~~
8 ~~by Resolution 14-2; Code and the trade infrastructure and goods~~
9 ~~movement plan submitted to the commission by the Secretary of~~
10 ~~Transportation and the Secretary for Environmental Protection.~~
11 *California Sustainable Freight Action Plan released in July 2016*
12 *pursuant to Executive Order B-32-15.* The commission shall also
13 consult trade infrastructure and goods movement plans adopted
14 by regional transportation planning agencies, adopted regional
15 transportation plans required by state and federal law, and the
16 ~~statewide applicable port master plan prepared by the California~~
17 ~~Marine and Intermodal Transportation System Advisory Council~~
18 ~~(Cal-MITSAC) pursuant to Section 1730 of the Harbors and~~
19 ~~Navigation Code,~~ when determining eligible projects for funding.
20 Eligible projects for ~~these funds~~ *funding described in subdivision*
21 *(a) shall further the state's economic, environmental, and public*
22 *health objectives and goals for freight policy, as articulated in the*
23 *plans to be consulted pursuant to this subdivision, and may include,*
24 but are not limited to, all of the following:

25 (1) Highway capacity *improvements, rail landside access*
26 *improvements, landside freight access improvements to airports,*
27 and operational improvements to more efficiently accommodate
28 the movement of freight, particularly for ingress and egress to and
29 from the state's land ports of ~~entry~~ *entry, rail terminals,* and
30 seaports, including navigable inland waterways used to transport
31 freight between seaports, land ports of entry, and airports, and to
32 relieve traffic congestion along major trade or goods movement
33 corridors.

34 (2) Freight rail system improvements to enhance the ability to
35 move goods from seaports, land ports of entry, and airports to
36 warehousing and distribution centers throughout California,
37 including projects that separate rail lines from highway or local
38 road traffic, improve freight rail mobility through mountainous
39 regions, relocate rail switching yards, and other projects that
40 improve the efficiency and capacity of the rail freight system.

1 (3) Projects to enhance the capacity and efficiency of ports.

2 (4) Truck corridor *and capital and operational* improvements,
3 including dedicated truck facilities or truck toll facilities.

4 (5) Border ~~access~~ *capital and operational* improvements that
5 enhance goods movement between California and Mexico and that
6 maximize the state's ability to access ~~coordinated border~~
7 ~~infrastructure~~ funds made available to the state by federal law.

8 (6) Surface transportation and connector road improvements to
9 effectively facilitate the movement of goods, particularly for
10 ingress and egress to and from the state's land ports of entry,
11 airports, and seaports, to relieve traffic congestion along major
12 trade or goods movement corridors.

13 (e)

14 (d) (1) ~~The~~ *In selecting projects for inclusion in the program*
15 *of projects to be funded with funds described in subdivision (a),*
16 *the commission shall allocate funds for trade infrastructure*
17 ~~improvements from the fund~~ *evaluate the total potential costs and*
18 *total potential economic and noneconomic benefits of the program*
19 *to California's economy, environment, and public health. The*
20 *commission shall consult with the State Air Resources Board in*
21 *order to utilize the appropriate models, techniques, and methods*
22 *to develop the parameters for evaluation of projects. The*
23 *commission shall allocate the funding described in subdivision (a)*
24 *for trade infrastructure improvements consistent with Section*
25 *8879.52 of the Government Code and the Trade Corridors*
26 *Improvement Fund (TCIF) Guidelines adopted by the commission*
27 *on November 27, 2007, or as amended by the commission, and in*
28 *a manner that (A) addresses the state's most urgent needs, (B)*
29 *balances the demands of various land ports of entry, seaports, and*
30 *airports, (C) provides reasonable geographic balance between the*
31 *state's regions, and (D) places emphasis on projects that improve*
32 *trade corridor mobility and safety while reducing emissions of*
33 ~~diesel-particulate particulates, greenhouse gases, and other~~
34 ~~pollutant emissions. pollutants, and reducing other negative~~
35 *community impacts, and (E) makes a significant contribution to*
36 *the state's economy.*

37 (2) *In adopting amended guidelines, and developing and*
38 *adopting the program of projects, the commission shall do all of*
39 *the following:*

1 (A) *Accept nominations for projects to be included in the*
2 *program of projects from regional and local transportation*
3 *agencies and the Department of Transportation.*

4 (B) *Recognize the key role of the state in project identification*
5 *and support integrating statewide goods movement priorities into*
6 *the corridor approach.*

7 (C) *Make a finding that adoption and delivery of the program*
8 *of projects is in the public interest.*

9 (2)

10 (3) In addition, the commission shall also consider the following
11 factors when allocating these funds:

12 (A) “Velocity,” which means the speed by which large cargo
13 would travel from the land port of entry or seaport through the
14 distribution system.

15 (B) “Throughput,” which means the volume of cargo that would
16 move from the land port of entry or seaport through the distribution
17 system.

18 (C) “Reliability,” which means a reasonably consistent and
19 predictable amount of time for cargo to travel from one point to
20 another on any given day or at any given time in California.

21 (D) “Congestion reduction,” which means the reduction in
22 recurrent daily hours of delay to be achieved.

23 SEC. 28. Section 2192.1 of the Streets and Highways Code is
24 amended to read:

25 2192.1. (a) To the extent moneys from the Greenhouse Gas
26 Reduction Fund, attributable to the auction or sale of allowances
27 as part of a market-based compliance mechanism relative to
28 reduction of greenhouse gas emissions, are transferred to the Trade
29 Corridors Improvement Fund, projects funded with those moneys
30 shall be subject to all of the requirements of existing law applicable
31 to the expenditure of moneys appropriated from the Greenhouse
32 Gas Reduction Fund, including, but not limited to, ~~both~~ all of the
33 following:

34 (1) Projects shall further the regulatory purposes of the
35 California Global Warming Solutions Act of 2006 (Division 25.5
36 (commencing with Section 38500) of the Health and Safety Code),
37 including reducing emissions from greenhouse gases in the state,
38 directing public and private investment toward disadvantaged
39 communities, increasing the diversity of energy sources, or creating
40 opportunities for businesses, public agencies, nonprofits, and other

community institutions to participate in and benefit from statewide efforts to reduce emissions of greenhouse gases.

(2) Projects shall be consistent with the guidance developed by the State Air Resources Board pursuant to Section 39715 of the Health and Safety Code.

(3) *Projects shall be consistent with the required benefits to disadvantaged communities pursuant to Section 39713 of the Health and Safety Code.*

(b) All allocations of funds made by the commission pursuant to this section shall be made in a manner consistent with the criteria expressed in Section 39712 of the Health and Safety Code and with the investment plan developed by the Department of Finance pursuant to Section 39716 of the Health and Safety Code.

(c) *For purposes of this section, “disadvantaged community” means a community with any of the following characteristics:*

(1) *An area with a median household income less than 80 percent of the statewide median household income based on the most current census tract-level data from the American Community Survey.*

(2) *An area identified by the California Environmental Protection Agency pursuant to Section 39711 of the Health and Safety Code.*

(3) *An area where at least 75 percent of public school students are eligible to receive free or reduced-price meals under the National School Lunch Program.*

SEC. 29. Section 2192.2 of the Streets and Highways Code is amended to read:

2192.2. The commission shall allocate funds made available by this chapter to projects that have identified and committed supplemental funding from appropriate local, federal, or private sources. The commission shall determine the appropriate amount of supplemental funding each project should have to be eligible for moneys from the fund based on a project-by-project review and an assessment of the project’s benefit to the state and the program. ~~Except for border access~~ *Funded* improvements described in paragraph (5) of subdivision (b) of Section 2192, improvements funded with moneys from the fund shall have supplemental funding that is at least equal to the amount of the contribution from the fund. ~~under this chapter.~~ The commission may give priority for

1 funding to projects with higher levels of committed supplemental
2 funding.

3 SEC. 30. Section 2192.4 is added to the Streets and Highways
4 Code, to read:

5 2192.4. The portion of the revenues in the Highway Users Tax
6 Account attributable to the increase in the diesel fuel excise tax
7 pursuant to subdivision (b) of Section 60050 of the Revenue and
8 Taxation Code, as adjusted pursuant to subdivision (c) of that
9 section, shall be transferred to the Trade Corridors Improvement
10 Fund.

11 SEC. 31. Section 9250.3 is added to the Vehicle Code, to read:

12 9250.3. (a) In addition to any other fees specified in this code
13 or the Revenue and Taxation Code, commencing July 1, 2017, a
14 registration fee of thirty-eight dollars (\$38) shall be paid to the
15 department for registration or renewal of registration of every
16 vehicle subject to registration under this code, except those vehicles
17 that are expressly exempted under this code from payment of
18 registration fees.

19 (b) Beginning July 1, 2019, and every third year thereafter, the
20 Department of Motor Vehicles shall adjust the fee imposed under
21 this section for inflation in an amount equal to the change in the
22 California Consumer Price Index for the prior three-year period,
23 as calculated by the Department of Finance, with amounts equal
24 to or greater than fifty cents (\$0.50) rounded to the next highest
25 whole dollar.

26 (c) Revenues from the fee, after the deduction of the
27 department's administrative costs related to this section, shall be
28 deposited in the Road Maintenance and Rehabilitation Account
29 created pursuant to Section 2031 of the Streets and Highways
30 Code.

31 SEC. 32. Section 9250.6 is added to the Vehicle Code, to read:

32 9250.6. (a) In addition to any other fees specified in this code,
33 or the Revenue and Taxation Code, commencing July 1, 2017, a
34 registration fee of one hundred and sixty-five dollars (\$165) shall
35 be paid to the department for registration or renewal of registration
36 of every zero-emission motor vehicle subject to registration under
37 this code, except those motor vehicles that are expressly exempted
38 under this code from payment of registration fees.

39 (b) Beginning July 1, 2019, and every third year thereafter, the
40 Department of Motor Vehicles shall adjust the fee imposed under

1 this section for inflation in an amount equal to the change in the
2 California Consumer Price Index for the prior three-year period,
3 as calculated by the Department of Finance, with amounts equal
4 to or greater than fifty cents (\$0.50) rounded to the next highest
5 whole dollar.

6 (c) Revenues from the fee, after deduction of the department's
7 administrative costs related to this section, shall be deposited in
8 the Road Maintenance and Rehabilitation Account created pursuant
9 to Section 2031 of the Streets and Highways Code.

10 (d) This section does not apply to a commercial motor vehicle
11 subject to Section 9400.1 or to a low-speed vehicle, as defined in
12 Section 385.5.

13 (e) The registration fee required pursuant to this section does
14 not apply to the initial registration after the purchase of a new
15 zero-emission motor vehicle.

16 (f) For purposes of this section, "zero-emission motor vehicle"
17 means a motor vehicle as described in subdivisions (c) and (d) of
18 Section 44258 of the Health and Safety Code.

19 SEC. 33. Section 9400.5 is added to the Vehicle Code, to read:

20 9400.5. (a) Notwithstanding Sections 9400.1, 9400.4, and
21 42205 of this code, Sections 16773 and 16965 of the Government
22 Code, Section 2103 of the Streets and Highways Code, or any
23 other law, weight fee revenues shall only be transferred consistent
24 with the schedule provided in subdivision (b) from the State
25 Highway Account to the Transportation Debt Service Fund, the
26 Transportation Bond Direct Payment Account, or any other fund
27 or account for the purpose of payment of the debt service on
28 transportation general obligation bonds and shall not be loaned to
29 the General Fund.

30 (b) (1) The transfer of weight fee revenues, after deduction of
31 collection costs, from the State Highway Account pursuant to
32 subdivision (a) shall not exceed:

33 (A) Nine hundred million dollars (\$900,000,000) in the 2017–18
34 fiscal year.

35 (B) Eight hundred million dollars (\$800,000,000) in the 2018–19
36 fiscal year.

37 (C) Seven hundred million dollars (\$700,000,000) in the
38 2019–20 fiscal year.

39 (D) Six hundred million dollars (\$600,000,000) in the 2020–21
40 fiscal year.

1 (E) Five hundred million dollars (\$500,000,000) in the 2021-22
2 fiscal year and in every fiscal year thereafter.

3 SEC. 34. This act is an urgency statute necessary for the
4 immediate preservation of the public peace, health, or safety within
5 the meaning of Article IV of the Constitution and shall go into
6 immediate effect. The facts constituting the necessity are:

7 In order to provide additional funding for road maintenance and
8 rehabilitation purposes as quickly as possible, it is necessary for
9 this act to take effect immediately.