



February 22, 2017

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

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

Dear Senator Beall:

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

CHRIS COURSEY  
Mayor

JACK TIBBETTS  
Vice Mayor

JULIE COMBS  
ERNESTO OLIVARES  
CHRIS ROGERS  
JOHN SAWYER  
TOM SCHWEDHELM

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

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

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

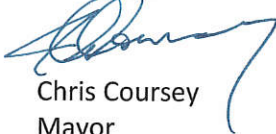
In addition to raising revenue, the proposal includes a series of reforms to improve efficiency, transparency, and accountability, such as restoring independence to the California Transportation Commission, creating the Office of the Transportation Inspection General with audit and investigation authority over the state's transportation spending, and

establishing local reporting requirements on local transportation spending. To streamline roadwork, the bill permanently extends and expands on the limited exemptions to California's Environmental Quality Act (CEQA) for repair, maintenance, and minor alteration projects on existing roadways to cities and counties with populations greater than 100,000 and state roadways. The proposal also creates an advanced mitigation program which authorizes the Natural Resources Agency to establish state and regional transportation mitigation plans and mitigation banks to allow transportation projects to fulfill their environmental requirements in advance.

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

For these reasons, **the City of Santa Rosa Supports SB 1 (Beall).**

Sincerely,



Chris Coursey  
Mayor

cc: Senator Mike McGuire, fax: 707-576-2773; fax: 916-651-4902  
Assembly Member Marc Levine, fax: 707-576-2735; fax: 916-319-2110  
Meg Desmond, League of California Cities, [mdesmond@cacities.org](mailto:mdesmond@cacities.org)

AMENDED IN SENATE JANUARY 26, 2017

**SENATE BILL**

**No. 1**

---

---

**Introduced by Senator Beall**

**(Coauthors: Senators Dodd, Hertzberg, Hill, McGuire, Mendoza,  
Monning, Wieckowski, and Wiener)**

December 5, 2016

---

---

An act to amend Sections 13975, 14500, 14526.5, and 16965 of, to add Sections 14033, 14110, 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 *and repeal* Division 13.6 (commencing with Section 21200) ~~to, of,~~ the Public Resources Code, to amend Section 99312.1 of 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, 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

SB 1, as amended, Beall. 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 \$0.12 per gallon increase, phased in over 3 years, 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 \$100 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. 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 January 1, 2018. The bill would require the department to develop a plan by January 1, 2020, to increase by 100% the dollar value of contracts awarded to small businesses, disadvantaged business enterprises, and disabled veteran business enterprises.

(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 March 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 in prioritizing 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. The bill would identify specific amounts to be allocated from available federal funds to certain categories of projects.

(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~~ 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. The bill, commencing July 1, 2017, would transfer, to the Road Maintenance and Rehabilitation Account, the portion of gasoline excise tax revenues attributable to these uses that would be derived from increases in the gasoline excise tax rate described in (1) above.

(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



and other revenues in the account to the Controller for allocation by formula to transportation agencies for public transit purposes under the State Transit Assistance Program. Existing law provides for appropriation of other revenues in the account to the Department of Transportation for various other transportation purposes, including intercity rail purposes.

This bill would increase the additional sales and use tax rate on diesel fuel by an additional 4%. The bill would restrict expenditures of revenues attributable to the 3.5% rate increase 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 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. By increasing the amount of revenues in the Public Transportation Account that are continuously appropriated, the bill would thereby make an appropriation. The bill would require the revenues attributable to the remaining 0.5% rate increase to be allocated, upon appropriation, to the department for intercity rail and commuter rail purposes.

This bill would, beginning July 1, 2020, 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.

This 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 percentages 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 50% of weight fee revenues to be used for debt service purposes beginning with the 2021–22 fiscal year. The bill would require the California Transportation Commission,

by January 1, 2018, to recommend a course of action to the Legislature and Governor that would retain the remaining 50% share of weight fee revenues in the State Highway Account or provide for the transfer of those revenues to the Road Maintenance and Rehabilitation Account. 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 to January 1, 2023~~, and delete the *population* limitation of *the city or county* for 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.~~ *exemption.*

This bill would also ~~establish~~ *establish, until January 1, 2023*, the Advance Mitigation Program in the Department of Transportation. The bill would authorize the department to undertake specified mitigation measures in advance of construction of planned transportation improvements. 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 improvement benefiting from advance mitigation is constructed. *The bill would require*

*the department to submit to the Legislature annual reports and a final report on the operation of the program.*

(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 provide that the fuel tax increases imposed by the bill would be effective on July 1, 2017. The bill would provide that the vehicle fee increases imposed by the bill would be effective on October 1, 2017.

(15) 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.  
6 (b) Similarly, cities and counties face a \$78 billion shortfall  
7 over the next decade to adequately maintain the existing network  
8 of local streets and roads.  
9 (c) Statewide taxes and fees dedicated to the maintenance of  
10 the system have not been increased in more than 20 years, with  
11 those revenues losing more than 55 percent of their purchasing  
12 power, while costs to maintain the system have steadily increased  
13 and much of the underlying infrastructure has aged past its expected  
14 useful life.

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

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

8 (f) A funding program will help address a portion of the  
9 maintenance backlog on the state’s road system and will stop the  
10 growth of the problem.

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

14 (h) Improving the condition of the state’s road system will have  
15 a positive impact on the economy as it lowers the transportation  
16 costs of doing business, reduces congestion impacts for employees,  
17 and protects property values in the state.

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

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

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

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

- 28 (1) Ensure these transportation needs are addressed.
- 29 (2) Fairly distribute the economic impact of increased funding.
- 30 (3) Restore the gas tax rate previously reduced by the State  
31 Board of Equalization pursuant to the gas tax swap.
- 32 (4) Direct increased revenue to the state’s highest transportation  
33 needs.

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

36 13975. There is in the state government the Transportation  
37 Agency. The agency consists of the Department of the California  
38 Highway Patrol, the Department of Motor Vehicles, the Department  
39 of Transportation, the High-Speed Rail Authority, and the Board

1 of Pilot Commissioners for the Bays of San Francisco, San Pablo,  
2 and Suisun.

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

5 14033. On or before January 1, 2018, the department shall  
6 update the Highway Design Manual to incorporate the “complete  
7 streets” design concept.

8 SEC. 4. Section 14110 is added to the Government Code, to  
9 read:

10 14110. The department shall develop a plan by January 1, 2020,  
11 to increase by 100 percent the dollar value of contracts awarded  
12 to small businesses, disadvantaged business enterprises, and  
13 disabled veteran business enterprises.

14 SEC. 5. Part 5.1 (commencing with Section 14460) is added  
15 to Division 3 of Title 2 of the Government Code, to read:

16

17 PART 5.1. OFFICE OF THE TRANSPORTATION INSPECTOR  
18 GENERAL

19

20 14460. (a) There is hereby created in state government the  
21 independent Office of the Transportation Inspector General, which  
22 shall not be a subdivision of any other governmental entity, to  
23 ensure that the Department of Transportation, the High-Speed Rail  
24 Authority, the Department of the California Highway Patrol, the  
25 Department of Motor Vehicles, the State Air Resources Board,  
26 and all other state agencies expending state transportation funds  
27 are operating efficiently, effectively, and in compliance with  
28 applicable federal and state laws.

29 (b) The Governor shall appoint, subject to confirmation by the  
30 Senate, the Transportation Inspector General to a six-year term.  
31 The Transportation Inspector General may not be removed from  
32 office during that term, except for good cause. A finding of good  
33 cause may include substantial neglect of duty, gross misconduct,  
34 or conviction of a crime. The reasons for removal of the  
35 Transportation Inspector General shall be stated in writing and  
36 shall include the basis for removal. The writing shall be sent to  
37 the Secretary of the Senate and the Chief Clerk of the Assembly  
38 at the time of the removal and shall be deemed to be a public  
39 document.

1 14461. The Transportation Inspector General shall review  
2 policies, practices, and procedures and conduct audits and  
3 investigations of activities involving state transportation funds in  
4 consultation with all affected state agencies. Specifically, the  
5 Transportation Inspector General’s duties and responsibilities shall  
6 include, but not be limited to, all of the following:

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

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

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

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

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

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

28 14462. The Transportation Inspector General shall report at  
29 least annually to the Governor and Legislature with a summary of  
30 his or her findings, investigations, and audits. The summary shall  
31 be posted on the Transportation Inspector General’s Internet Web  
32 site and shall otherwise be made available to the public upon its  
33 release to the Governor and Legislature. The summary shall  
34 include, but need not be limited to, significant problems discovered  
35 by the Transportation Inspector General and whether  
36 recommendations of the Transportation Inspector General relative  
37 to investigations and audits have been implemented by the affected  
38 agencies. The report shall be submitted to the Legislature in  
39 compliance with Section 9795.

1 SEC. 6. Section 14500 of the Government Code is amended  
2 to read:

3 14500. There is in state government a California Transportation  
4 Commission. The commission shall act in an independent oversight  
5 role.

6 SEC. 7. Section 14526.5 of the Government Code is amended  
7 to read:

8 14526.5. (a) Based on the asset management plan prepared  
9 and approved pursuant to Section 14526.4, the department shall  
10 prepare a state highway operation and protection program for the  
11 expenditure of transportation funds for major capital improvements  
12 that are necessary to preserve and protect the state highway system.  
13 Projects included in the program shall be limited to improvements  
14 relative to the maintenance, safety, operation, and rehabilitation  
15 of state highways and bridges that do not add a new traffic lane to  
16 the system.

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

23 (c) (1) The department, at a minimum, shall specify, for each  
24 project in the state highway operation and protection program, the  
25 capital and support budget for each of the following project  
26 components:

27 (A) Project approval and environmental documents.

28 (B) Plans, specifications, and estimates.

29 (C) Rights-of-way.

30 (D) Construction.

31 (2) The department shall specify, for each project in the state  
32 highway operation and protection program, a projected delivery  
33 date for each of the following components:

34 (A) Environmental document completion.

35 (B) Plans, specifications, and estimate completion.

36 (C) Right-of-way certification.

37 (D) Start of construction.

38 (d) The department shall submit its proposed program to the  
39 commission not later than January 31 of each even-numbered year.  
40 Prior to submitting its proposed program, the department shall



1 make a draft of its proposed program available to transportation  
2 planning agencies for review and comment and shall include the  
3 comments in its submittal to the commission. The department shall  
4 provide the commission with detailed information for all  
5 programmed projects, including, but not limited to, cost, scope,  
6 schedule, and performance metrics as determined by the  
7 commission.

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

21 (f) As part of the commission's review of the program required  
22 pursuant to subdivision (a), the commission shall hold at least one  
23 hearing in northern California and one hearing in southern  
24 California regarding the proposed program.

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

27 (h) Following adoption of the state highway operation and  
28 protection program by the commission, any change to a  
29 programmed project shall be submitted as an amendment by the  
30 department to the commission for its approval before the change  
31 may be implemented.

32 SEC. 8. Section 14526.7 is added to the Government Code, to  
33 read:

34 14526.7. (a) On and after August 1, 2017, an allocation by the  
35 commission of all capital and support costs for each project in the  
36 state highway operation and protection program shall be required.

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

1 (c) The commission shall establish guidelines to provide  
2 exceptions to the requirement of subdivision (b) that the  
3 commission determines are necessary to ensure that projects are  
4 not unnecessarily delayed.

5 SEC. 9. Section 14534.1 of the Government Code is repealed.

6 SEC. 10. Section 16321 is added to the Government Code, to  
7 read:

8 16321. (a) Notwithstanding any other law, on or before March  
9 1, 2017, the Department of Finance shall compute the amount of  
10 outstanding loans made from the State Highway Account, the  
11 Motor Vehicle Fuel Account, the Highway Users Tax Account,  
12 and the Motor Vehicle Account to the General Fund. The  
13 department shall prepare a loan repayment schedule, pursuant to  
14 which the outstanding loans shall be repaid, as follows:

15 (1) On or before December 31, 2017, 50 percent of the  
16 outstanding loan amounts.

17 (2) On or before December 31, 2018, the remainder of the  
18 outstanding loan amounts.

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

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

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

28 (c) Funds for loan repayments pursuant to this section are hereby  
29 appropriated from the Budget Stabilization Account pursuant to  
30 subclause (II) of clause (ii) of subparagraph (B) of paragraph (1)  
31 of subdivision (c) of Section 20 of Article XVI of the California  
32 Constitution.

33 SEC. 11. Section 16965 of the Government Code is amended  
34 to read:

35 16965. (a) (1) The Transportation Debt Service Fund is hereby  
36 created in the State Treasury. Moneys in the fund shall be dedicated  
37 to all of the following purposes:

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

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

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

5 (2) The bonds eligible under subparagraph (B) or (C) of  
6 paragraph (1) include bonds issued pursuant to the Passenger Rail  
7 and Clean Air Bond Act of 1990 (Chapter 17 (commencing with  
8 Section 2701) of Division 3 of the Streets and Highways Code),  
9 the Seismic Retrofit Bond Act of 1996 (Chapter 12.48  
10 (commencing with Section 8879) of Division 1 of Title 2), and the  
11 Safe, Reliable High-Speed Passenger Train Bond Act for the 21st  
12 Century (Chapter 20 (commencing with Section 2704) of Division  
13 3 of the Streets and Highways Code), and nondesignated bonds  
14 under Proposition 1B, as defined in subdivision (c) of Section  
15 16773.

16 (3) (A) The Transportation Bond Direct Payment Account is  
17 hereby created in the State Treasury, as a subaccount within the  
18 Transportation Debt Service Fund, for the purpose of directly  
19 paying the debt service, as defined in paragraph (4), of designated  
20 bonds of Proposition 1B, as defined in subdivision (c) of Section  
21 16773. Notwithstanding Section 13340, moneys in the  
22 Transportation Bond Direct Payment Account are continuously  
23 appropriated for payment of debt service with respect to designated  
24 bonds as provided in subdivision (c) of Section 16773. So long as  
25 any designated bonds remain outstanding, the moneys in the  
26 Transportation Bond Direct Payment Account may not be used  
27 for any other purpose, and may not be borrowed by or available  
28 for transfer to the General Fund pursuant to Section 16310 or any  
29 similar law, or to the General Cash Revolving Fund pursuant to  
30 Section 16381 or any similar law.

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

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

39 (D) The Controller may establish subaccounts within the  
40 Transportation Bond Direct Payment Account as may be required

1 by the resolution, indenture, or other documents governing any  
2 designated bonds.

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

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

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

11 (C) Amounts payable under any contractual obligation of the  
12 state to repay advances and pay interest thereon under a credit  
13 enhancement or liquidity agreement as described in clause (iv) of  
14 subparagraph (B) of paragraph (1) of subdivision (d) of Section  
15 16731.

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

20 (b) From the moneys transferred to the fund pursuant to  
21 paragraph (2) or (3) of subdivision (c) of Section 9400.4 of the  
22 Vehicle Code, there shall first be deposited into the Transportation  
23 Bond Direct Payment Account in each month sufficient funds to  
24 equal the amount designated in a certificate submitted by the  
25 Treasurer to the Controller and the Director of Finance at the start  
26 of each fiscal year, and as may be modified by the Treasurer  
27 thereafter upon issuance of any new issue of designated bonds or  
28 upon change in circumstances that requires such a modification.  
29 This certificate shall be calculated by the Treasurer to identify, for  
30 each month, the amount necessary to fund all of the debt service  
31 with respect to all designated bonds. This calculation shall be done  
32 in a manner provided in the resolution, indenture, or other  
33 documents governing the designated bonds. In the event that  
34 transfers to the Transportation Bond Direct Payment Account in  
35 any month are less than the amounts required in the Treasurer’s  
36 certificate, the shortfall shall carry over to be part of the required  
37 payment in the succeeding month or months.

38 (c) The state hereby covenants with the holders from time to  
39 time of any designated bonds that it will not alter, amend, or restrict  
40 the provisions of subdivision (c) of Section 16773 of the

1 Government Code, or Sections 9400, 9400.1, 9400.4, and 42205  
2 of the Vehicle Code, which provide directly or indirectly for the  
3 transfer of weight fees to the Transportation Debt Service Fund  
4 or the Transportation Bond Direct Payment Account, or  
5 subdivisions (a) and (b) of this section, or reduce the rate of  
6 imposition of vehicle weight fees under Sections 9400 and 9400.1  
7 of the Vehicle Code as they existed on the date of the first issuance  
8 of any designated bonds, if that alteration, amendment, restriction,  
9 or reduction would result in projected weight fees for the next  
10 fiscal year determined by the Director of Finance being less than  
11 two times the maximum annual debt service with respect to all  
12 outstanding designated bonds, as such calculation is determined  
13 pursuant to the resolution, indenture, or other documents governing  
14 the designated bonds. The state may include this covenant in the  
15 resolution, indenture, or other documents governing the designated  
16 bonds.

17 (d) Once the required monthly deposit, including makeup of  
18 any shortfalls from any prior month, has been made pursuant to  
19 subdivision (b), from moneys transferred to the fund pursuant to  
20 paragraph (2) or (3) of subdivision (c) of Section 9400.4 of the  
21 Vehicle Code, or pursuant to Section 16965.1 or 63048.67, the  
22 Controller shall transfer as an expenditure reduction to the General  
23 Fund any amount necessary to offset the cost of current year debt  
24 service payments made from the General Fund with respect to any  
25 bonds issued pursuant to Proposition 192 (1996) and three-quarters  
26 of the amount of current year debt service payments made from  
27 the General Fund with respect to any nondesignated bonds, as  
28 defined in subdivision (c) of Section 16773, issued pursuant to  
29 Proposition 1B (2006). In the alternative, these funds may also be  
30 used to redeem or retire the applicable bonds, pursuant to Section  
31 16774, maturing in a subsequent fiscal year as directed by the  
32 Director of Finance.

33 (e) Once the required monthly deposit, including makeup of  
34 any shortfalls from any prior month, has been made pursuant to  
35 subdivision (b), from moneys transferred to the fund pursuant to  
36 paragraph (2) or (3) of subdivision (c) of Section 9400.4 of the  
37 Vehicle Code, or pursuant to Section 16965.1 or 63048.67, the  
38 Controller shall transfer as an expenditure reduction to the General  
39 Fund any amount necessary to offset the eligible cost of current  
40 year debt service payments made from the General Fund with

1 respect to any bonds issued pursuant to Proposition 108 (1990)  
2 and Proposition 1A (2008), and one-quarter of the amount of  
3 current year debt service payments made from the General Fund  
4 with respect to any nondesignated bonds, as defined in subdivision  
5 (c) of Section 16773, issued pursuant to Proposition 1B (2006).  
6 The Department of Finance shall notify the Controller by July 30  
7 of every year of the percentage of debt service that is expected to  
8 be paid in that fiscal year with respect to bond-funded projects that  
9 qualify as eligible guideway projects consistent with the  
10 requirements applicable to the expenditure of revenues under  
11 Article XIX of the California Constitution, and the Controller shall  
12 make payments only for those eligible projects. In the alternative,  
13 these funds may also be used to redeem or retire the applicable  
14 bonds, pursuant to Section 16774, maturing in a subsequent fiscal  
15 year as directed by the Director of Finance.

16 (f) On or before the second business day following the date on  
17 which transfers are made to the Transportation Debt Service Fund,  
18 and after the required monthly deposits for that month, including  
19 makeup of any shortfalls from any prior month, have been made  
20 to the Transportation Bond Direct Payment Account, the Controller  
21 shall transfer the funds designated for reimbursement of bond debt  
22 service with respect to nondesignated bonds, as defined in  
23 subdivision (c) of Section 16773, and other bonds identified in  
24 subdivisions (d) and (e) in that month from the fund to the General  
25 Fund pursuant to this section.

26 SEC. 12. Section 39719 of the Health and Safety Code is  
27 amended to read:

28 39719. (a) The Legislature shall appropriate the annual  
29 proceeds of the fund for the purpose of reducing greenhouse gas  
30 emissions in this state in accordance with the requirements of  
31 Section 39712.

32 (b) To carry out a portion of the requirements of subdivision  
33 (a), annual proceeds are continuously appropriated for the  
34 following:

35 (1) Beginning in the 2017–18 fiscal year, and notwithstanding  
36 Section 13340 of the Government Code, 50 percent of annual  
37 proceeds are continuously appropriated, without regard to fiscal  
38 years, for transit, affordable housing, and sustainable communities  
39 programs as follows:

1 (A) Twenty percent of the annual proceeds of the fund is hereby  
2 continuously appropriated to the Transportation Agency for the  
3 Transit and Intercity Rail Capital Program created by Part 2  
4 (commencing with Section 75220) of Division 44 of the Public  
5 Resources Code.

6 (B) Ten percent of the annual proceeds of the fund is hereby  
7 continuously appropriated to the Low Carbon Transit Operations  
8 Program created by Part 3 (commencing with Section 75230) of  
9 Division 44 of the Public Resources Code. Moneys shall be  
10 allocated by the Controller, according to requirements of the  
11 program, and pursuant to the distribution formula in subdivision  
12 (b) or (c) of Section 99312 of, and Sections 99313 and 99314 of,  
13 the Public Utilities Code.

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

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

29 (A) Acquisition and construction costs of the project.

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

31 (C) Other capital costs of the project.

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

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

37 ~~SEC. 13. Section 21080.37 of the Public Resources Code is~~  
38 ~~amended to read:~~

1     ~~21080.37. (a) This division does not apply to a project or an~~  
2 ~~activity to repair, maintain, or make minor alterations to an existing~~  
3 ~~roadway if all of the following conditions are met:~~

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

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

8     ~~(2) The project involves negligible or no expansion of an~~  
9 ~~existing use beyond that existing at the time of the lead agency’s~~  
10 ~~determination.~~

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

21     ~~(B) For the purposes of this paragraph:~~

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

31     ~~(ii) “Significant value as a wildlife habitat” includes wildlife~~  
32 ~~habitat of national, statewide, regional, or local importance; habitat~~  
33 ~~for species protected by the federal Endangered Species Act of~~  
34 ~~1973 (16 U.S.C. Sec. 1531 et seq.), the California Endangered~~  
35 ~~Species Act (Chapter 1.5 (commencing with Section 2050) of~~  
36 ~~Division 3 of the Fish and Game Code), or the Native Plant~~  
37 ~~Protection Act (Chapter 10 (commencing with Section 1900) of~~  
38 ~~Division 2 of the Fish and Game Code); habitat identified as~~  
39 ~~candidate, fully protected, sensitive, or species of special status~~



1 by local, state, or federal agencies; or habitat essential to the  
2 movement of resident or migratory wildlife.

3 (iii) “Wetlands” has the same meaning as in the United States  
4 Fish and Wildlife Service Manual, Part 660 FW 2 (June 21, 1993).

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

8 (4) The project does not impact cultural resources.

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

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

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

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

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

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

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

38 *SEC. 13. Section 21080.37 of the Public Resources Code is*  
39 *amended to read:*

1 21080.37. (a) This division does not apply to a project or an  
2 activity to repair, maintain, or make minor alterations to an existing  
3 roadway if all of the following conditions are met:

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

6 (2) (A) The project does not cross a waterway.

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

10 (3) The project involves negligible or no expansion of an  
11 existing use beyond that existing at the time of the lead agency’s  
12 determination.

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

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

24 (B) For the purposes of this paragraph:

25 (i) “Riparian areas” mean those areas transitional between  
26 terrestrial and aquatic ecosystems and that are distinguished by  
27 gradients in biophysical conditions, ecological processes, and biota.  
28 A riparian area is an area through which surface and subsurface  
29 hydrology connect waterbodies with their adjacent uplands. A  
30 riparian area includes those portions of terrestrial ecosystems that  
31 significantly influence exchanges of energy and matter with aquatic  
32 ecosystems. A riparian area is adjacent to perennial, intermittent,  
33 and ephemeral streams, lakes, and estuarine-marine shorelines.

34 (ii) “Significant value as a wildlife habitat” includes wildlife  
35 habitat of national, statewide, regional, or local importance; habitat  
36 for species protected by the federal Endangered Species Act of  
37 1973 (16 U.S.C. Sec. 1531, et seq.), the California Endangered  
38 Species Act (Chapter 1.5 (commencing with Section 2050) of  
39 Division 3 of the Fish and Game Code), or the Native Plant  
40 Protection Act (Chapter 10 (commencing with Section 1900) of

1 Division 2 of the Fish and Game Code); habitat identified as  
2 candidate, fully protected, sensitive, or species of special status  
3 by local, state, or federal agencies; or habitat essential to the  
4 movement of resident or migratory wildlife.

5 (iii) “Wetlands” has the same meaning as in the United States  
6 Fish and Wildlife Service Manual, Part 660 FW 2 (June 21, 1993).

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

10 (6) The project does not impact cultural resources.

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

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

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

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

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

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

35 (e) This section shall remain in effect only until January 1, ~~2020~~,  
36 2023, and as of that date is repealed, unless a later enacted statute,  
37 that is enacted before January 1, ~~2020~~, 2023, deletes or extends  
38 that date.

39 SEC. 14. Division 13.6 (commencing with Section 21200) is  
40 added to the Public Resources Code, to read:

1 DIVISION 13.6. ADVANCE MITIGATION PROGRAM ACT

2  
3 CHAPTER 1. GENERAL  
4

5 21200. This division shall be known, and may be cited, as the  
6 Advance Mitigation Program Act.

7 21201. (a) The purpose of this division is to improve the  
8 success and effectiveness of actions implemented to mitigate the  
9 natural resource impacts of future transportation improvements  
10 by designing those actions to measurably advance regional or  
11 statewide conservation priorities and by establishing the means to  
12 implement the actions well before the impacts occur. The advance  
13 design and implementation of mitigation actions also will  
14 streamline the delivery of transportation improvements by avoiding  
15 or reducing delays associated with environmental permitting.

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

25 21202. The Legislature finds and declares all of the following:

26 (a) Compensatory mitigation for environmental impacts is  
27 ordinarily handled on a project-by-project basis, usually near the  
28 end of a project’s timeline and often with insufficient guidance  
29 regarding regional or statewide conservation priorities.

30 (b) The cost of critical transportation improvements often  
31 escalates because of permitting delays that occur when appropriate  
32 conservation and mitigation measures cannot easily be identified  
33 and because the cost of these measures often increases between  
34 the time a project is planned and funded and the time mitigation  
35 is implemented.

36 (c) When the Department of Transportation is able to anticipate  
37 the compensatory mitigation needs for planned transportation  
38 improvements, it can meet those needs in a more timely and  
39 cost-effective way by using advance mitigation planning.

1 (d) Working with state and federal resource protection agencies,  
2 the department can generate and pool a range of mitigation credits  
3 for use for transportation improvements, taking advantage of  
4 greater economies of scale and allowing public funds to stretch  
5 further. By making those mitigation credits available in advance  
6 of environmental impacts and project permitting, transportation  
7 agencies can avoid permitting delays that result from  
8 project-by-project identification and development of mitigation  
9 measures.

10 (e) Advance mitigation can provide an effective means of  
11 facilitating delivery of transportation improvements while ensuring  
12 more effective natural resource conservation.

13 (f) Advance mitigation is needed to direct mitigation funding  
14 for transportation improvements to agreed-upon conservation  
15 priorities and to the creation of habitat reserves and recreation  
16 areas that enhance the sustainability of human and natural systems  
17 by protecting or restoring connectivity of natural communities and  
18 the delivery of ecosystem services.

19 (g) Advance mitigation can facilitate the implementation of  
20 climate change adaptation strategies both for ecosystems and  
21 California's economy.

22 (h) Advance mitigation can enable the state to protect, restore,  
23 and recover its natural resources as it strengthens and improves  
24 its transportation systems.

25 21203. The Legislature intends to do all of the following by  
26 enacting this division:

27 (a) Facilitate delivery of transportation improvements while  
28 ensuring more effective natural resource conservation.

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

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

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

## CHAPTER 2. DEFINITIONS

- 1  
2  
3 21204. For purposes of this division, the following terms have  
4 the following meanings:
- 5 (a) “Acquire” and “acquisition” mean, with respect to land or  
6 a waterway, acquisition of fee title or purchase of a conservation  
7 easement, that protects conservation and mitigation values on the  
8 land or waterway in perpetuity.
- 9 (b) “Advance mitigation” means mitigation implemented before,  
10 and in anticipation of, environmental effects of planned  
11 transportation improvements.
- 12 (c) “Commission” means the California Transportation  
13 Commission.
- 14 (d) “Conservation easement” means a perpetual conservation  
15 easement that complies with Chapter 4 (commencing with Section  
16 815) of Title 2 of Part 2 of Division 2 of the Civil Code.
- 17 (e) “Department” means the Department of Transportation.
- 18 (f) “Mitigation credit agreement” means a mitigation credit  
19 agreement pursuant to Chapter 9 (commencing with Section 1850)  
20 of Division 2 of the Fish and Game Code.
- 21 (g) “Transportation agency” means the department, the  
22 High-Speed Rail Authority, a metropolitan planning organization,  
23 a regional transportation planning agency, or another public agency  
24 that implements transportation improvements.
- 25 (h) “Transportation improvement” means a transportation capital  
26 improvement project.
- 27 (i) “Planned transportation improvement” means a transportation  
28 project that a transportation agency has identified in a regional  
29 transportation plan, an interregional transportation plan, a capital  
30 improvement program, or other approved transportation planning  
31 document. A planned transportation improvement may include,  
32 but is not limited to, a transportation project that has been proposed  
33 for approval or that has been approved.
- 34 (j) “Program” means the Advance Mitigation Program  
35 implemented pursuant to this division.
- 36 (k) “Regional conservation investment strategy” means a  
37 regional conservation investment strategy *approved by the*  
38 *Department of Fish and Wildlife* pursuant to Chapter 9  
39 (commencing with Section 1850) of Division 2 of the Fish and  
40 Game Code.

1 (l) “Regulatory agency” means a state or federal natural resource  
2 protection agency with regulatory authority over planned  
3 transportation improvements. A regulatory agency includes, but  
4 is not limited to, the Natural Resources Agency, the Department  
5 of Fish and Wildlife, California regional water quality control  
6 boards, the United States Fish and Wildlife Service, the National  
7 Marine Fisheries Service, the United States Environmental  
8 Protection Agency, and the United States Army Corps of  
9 Engineers.

10  
11 CHAPTER 3. ADVANCE MITIGATION PROGRAM  
12

13 21205. (a) The Advance Mitigation Program is hereby created  
14 in the department to accelerate project delivery and improve  
15 environmental outcomes of environmental mitigation for planned  
16 transportation improvements. The department may do any of the  
17 following to administer and implement the program:

18 (1) Purchase credits at mitigation banks and conservation banks  
19 approved by one or more regulatory agencies. The department  
20 may also establish mitigation banks or conservation banks, or fund  
21 the establishment of mitigation banks or conservation banks, in  
22 accordance with applicable state and federal standards if the  
23 department determines that those banks would provide biologically  
24 appropriate mitigation for planned transportation improvements  
25 identified pursuant to Section 21207.

26 (2) Pay mitigation fees under natural community conservation  
27 plans approved pursuant to Chapter 10 (commencing with Section  
28 2800) of Division 3 of the Fish and Game Code, or habitat  
29 conservation plans approved in accordance with the federal  
30 Endangered Species Act.

31 (3) Prepare, or fund the preparation of, regional conservation  
32 investment strategies. Where a regional conservation framework  
33 has been approved by the Department of Fish and Wildlife, the  
34 department may do the following:

35 (A) Enter into a mitigation credit agreement with the Department  
36 of Fish and Wildlife, and acquire, restore, manage, monitor, protect,  
37 and preserve lands, waterways, aquatic resources or fisheries, or  
38 fund the acquisition, restoration, management, monitoring,  
39 protection, and preservation of lands, waterways, aquatic resources,

1 or fisheries, as needed to generate mitigation credits pursuant to  
2 those mitigation credit agreements.

3 (B) Acquire, restore, manage, monitor, and preserve lands,  
4 waterways, aquatic resources, or fisheries, or fund the acquisition,  
5 restoration, management, monitoring, and preservation of lands,  
6 waterways, aquatic resources, or fisheries that would measurably  
7 advance a conservation objective in the regional conservation  
8 investment strategy if the department concludes that the action or  
9 actions could conserve or create environmental values that are  
10 appropriate to mitigate the anticipated potential impacts of planned  
11 transportation improvements.

12 (4) Prepare, or fund the preparation of, regional advance  
13 mitigation plans *that are consistent with a regional conservation*  
14 *strategy and are approved by the Department of Fish and Wildlife,*  
15 *within the area of—any that regional conservation investment*  
16 *strategy that has been approved by the Department of Fish and*  
17 *Wildlife: strategy.* The purpose of a regional advance mitigation  
18 plan shall be to identify potential mitigation needs for planned  
19 transportation improvements, to facilitate the acquisition or  
20 generation of mitigation credits and values that could be used to  
21 fulfill those needs and thereby to avoid delays in the environmental  
22 permitting of those transportation improvements. A regional  
23 advance mitigation plan shall do all of the following:

24 (A) Use the information and analysis in the regional  
25 conservation investment strategy to estimate the nature and extent  
26 of potential mitigation requirements of planned transportation  
27 improvements on a regional or statewide basis.

28 (B) Consider the full range of potential impacts on natural  
29 resources of planned transportation improvements.

30 (C) Identify available mitigation credits at mitigation banks or  
31 conservation banks approved by one or more regulatory agencies  
32 that could be used to mitigate the impacts of planned transportation  
33 improvements.

34 (D) Assess whether, and to what extent, mitigation requirements  
35 for planned transportation improvements could be fulfilled by the  
36 payment of mitigation fees under approved natural community  
37 conservation plans and habitat conservation plans.

38 (E) Assess whether, and to what extent, mitigation requirements  
39 for planned transportation improvements could be fulfilled by  
40 mitigation credits created under a mitigation credit agreement.



1 (F) Assess whether conservation actions or habitat enhancements  
2 that would measurably advance an unmet conservation objective  
3 in the regional conservation investment strategy could conserve  
4 or create environmental values that are appropriate to mitigate the  
5 anticipated potential impacts of planned transportation  
6 improvements and could fulfill mitigation requirements resulting  
7 from those impacts.

8 (G) Analyze the cost-effectiveness of available mitigation  
9 alternatives both in terms of environmental benefits and improved  
10 project delivery and certainty.

11 (b) The department shall track all advance mitigation actions  
12 implemented and all mitigation credits generated under the program  
13 for environmental mitigation for transportation improvements.

14 (c) The department may use mitigation credits to fulfill  
15 mitigation requirements of a transportation improvement eligible  
16 for the State Transportation Improvement Program or the State  
17 Highway Operation and Protection Program.

18 (d) The department may use, or allow local or state  
19 transportation agencies to use, mitigation credits or values  
20 generated or obtained under the program to fulfill the mitigation  
21 requirements of planned transportation improvements if the  
22 applicable transportation agency reimburses the program for all  
23 costs of purchasing or creating the mitigation credits or values, as  
24 determined by the department. Those costs shall be calculated  
25 using total cost accounting and shall include, as applicable, land  
26 acquisition or conservation easement costs, monitoring and  
27 enforcement costs, restoration costs, transaction costs,  
28 administrative costs, contingency costs, and land management,  
29 monitoring, and protection costs.

30 (e) *Prior to approving a regional conservation investment*  
31 *strategy or regional advance mitigation plan, the Department of*  
32 *Fish and Wildlife shall receive public comments on the strategy*  
33 *or plan for at least 45 days and shall hold a public meeting at*  
34 *relevant districts of the department affected by the strategy or*  
35 *plan. The Department of Fish and Wildlife, in cooperation with*  
36 *the department, shall respond to any public comments received.*

37 (f) *The department, in collaboration with the Department of*  
38 *Fish and Wildlife, shall establish and maintain an Internet Web*  
39 *site that includes all of the following:*

1 (1) Findings and recommendations of the transportation  
2 advance mitigation steering committee established pursuant to  
3 Section 21206.

4 (2) Any proposed actions taken pursuant to the program,  
5 including information specified in subdivision (b).

6 (3) Any public comments and responses made pursuant to  
7 subdivision (e).

8 (4) The reports required pursuant to Section 21209.

9 21206. (a) No later than February 1, ~~2017~~, 2018, the  
10 department shall establish an interagency transportation advance  
11 mitigation steering committee consisting of the department and  
12 appropriate state and federal regulatory ~~agencies~~ agencies,  
13 including the Natural Resources Agency and the Department of  
14 Fish and Wildlife, to support the program so that advance  
15 mitigation can be used as required mitigation for planned  
16 transportation improvements and can provide improved  
17 environmental outcomes. The committee shall advise the  
18 department of opportunities to carry out advance mitigation  
19 improvements, provide the best available science, and actively  
20 participate in mitigation instrument reviews and approvals. The  
21 committee shall seek to develop streamlining opportunities,  
22 including those related to landscape scale mitigation planning and  
23 alignment of federal and state regulations and procedures related  
24 to mitigation requirements and implementation. The committee  
25 shall also provide input on crediting, using, and tracking of advance  
26 mitigation investments.

27 (b) The committee shall hold annually at least three meetings,  
28 one in northern California, one in the central valley region, and  
29 one in southern California, to solicit public input on the program.

30 21207. The Advance Mitigation Fund is hereby created in the  
31 State Transportation Fund as a revolving fund. Notwithstanding  
32 Section 13340 of the Government Code, the fund shall be  
33 continuously appropriated without regard to fiscal years. The  
34 moneys in the fund shall be programmed by the commission for  
35 the planning and implementation of advance mitigation  
36 improvements consistent with the purposes of this chapter. After  
37 the transfer of moneys to the fund for four fiscal years pursuant to  
38 subdivision (c) of Section 2032 of the Streets and Highways Code,  
39 commencing in the 2017–18 fiscal year, the program is intended  
40 to be self-sustaining. Advance expenditures from the fund shall

1 later be reimbursed from project funding available at the time a  
2 planned transportation improvement is constructed. A maximum  
3 of 5 percent of available funds may be used for administrative  
4 purposes.

5 21208. The program is intended to improve the efficiency and  
6 efficacy of mitigation only and is not intended to supplant the  
7 requirements of the California Environmental Quality Act (Division  
8 13 (commencing with Section 21000)) or any other environmental  
9 law. The identification of planned transportation improvements  
10 and of mitigation improvements or measures for planned  
11 transportation improvements under this division does not imply  
12 or require approval of those improvements for purposes of the  
13 California Environmental Quality Act (Division 13 (commencing  
14 with Section 21000)) or any other environmental law.

15 21209. (a) *On or before January 1, 2019, and annually*  
16 *thereafter, the department, in collaboration with the Department*  
17 *of Fish and Wildlife, shall submit to the Legislature, pursuant to*  
18 *Section 9795 of the Government Code, a report on the operation*  
19 *of the program that contains both of the following information:*

20 (1) *Funding used to generate the mitigation credits and the*  
21 *amount of credits used for each transportation improvement during*  
22 *the past calendar year.*

23 (2) *The reasons or justifications for using the program to*  
24 *mitigate the impacts of the planned transportation improvements*  
25 *and the type of advance mitigation used.*

26 (b) *On or before January 1, 2022, the department, in*  
27 *collaboration with the Department of Fish and Wildlife, shall*  
28 *submit to the Legislature, pursuant to Section 9795 of the*  
29 *Government Code, a report that includes all of the following*  
30 *information:*

31 (1) *Findings on the efficacy of the program and*  
32 *recommendations for improving program outcomes.*

33 (2) *Data on the funding used for the generation of the mitigation*  
34 *credits and the use of the mitigation credits.*

35 (3) *Data on planned transportation improvements benefited by*  
36 *the program, including the mitigation credits used in lieu of onsite*  
37 *mitigation.*

38 (4) *Data on monitoring.*

39 21210. *This division shall remain in effect only until January*  
40 *1, 2023, and as of that date is repealed, unless a later enacted*

1 *statute that is enacted before January 1, 2023, deletes or extends*  
2 *that date.*

3 SEC. 15. Section 99312.1 of the Public Utilities Code is  
4 amended to read:

5 99312.1. (a) Revenues transferred to the Public Transportation  
6 Account pursuant to Sections 6051.8 and 6201.8 of the Revenue  
7 and Taxation Code for the State Transit Assistance Program are  
8 hereby continuously appropriated to the Controller for allocation  
9 as follows:

10 (1) Fifty percent for allocation to transportation planning  
11 agencies, county transportation commissions, and the San Diego  
12 Metropolitan Transit Development Board pursuant to Section  
13 99314.

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

17 (b) For purposes of this chapter, the revenues allocated pursuant  
18 to this section shall be subject to the same requirements as revenues  
19 allocated pursuant to subdivisions (b) and (c), as applicable, of  
20 Section 99312.

21 (c) The revenues transferred to the Public Transportation  
22 Account for the State Transit Assistance Program that are  
23 attributable to the increase in the sales and use tax on diesel fuel  
24 pursuant to subdivision (b) of Section 6051.8 of the Revenue and  
25 Taxation Code, as adjusted pursuant to subdivision (c) of that  
26 section, and subdivision (b) of Section 6201.8 of the Revenue and  
27 Taxation Code, as adjusted pursuant to subdivision (c) of that  
28 section, upon allocation pursuant to Sections 99313 and 99314,  
29 shall only be expended on the following:

30 (1) Transit capital projects or services to maintain or repair a  
31 transit operator's existing transit vehicle fleet or existing transit  
32 facilities, including rehabilitation or modernization of existing  
33 vehicles or facilities.

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

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

38 (d) (1) Prior to receiving an apportionment of funds pursuant  
39 to subdivision (c) from the Controller in a fiscal year, a recipient  
40 transit agency shall submit to the Department of Transportation a

1 list of projects proposed to be funded with these funds. The list of  
2 projects proposed to be funded with these funds shall include a  
3 description and location of each proposed project, a proposed  
4 schedule for the project's completion, and the estimated useful life  
5 of the improvement. The project list shall not limit the flexibility  
6 of a recipient transit agency to fund projects in accordance with  
7 local needs and priorities so long as the projects are consistent  
8 with subdivision (c).

9 (2) The department shall report to the Controller the recipient  
10 transit agencies that have submitted a list of projects as described  
11 in this subdivision and that are therefore eligible to receive an  
12 apportionment of funds for the applicable fiscal year. The  
13 Controller, upon receipt of the report, shall apportion funds  
14 pursuant to Sections 99313 and 99314.

15 (e) For each fiscal year, each recipient transit agency receiving  
16 an apportionment of funds pursuant to subdivision (c) shall, upon  
17 expending those funds, submit documentation to the department  
18 that includes a description and location of each completed project,  
19 the amount of funds expended on the project, the completion date,  
20 and the estimated useful life of the improvement.

21 (f) The audit of transit operator finances required pursuant to  
22 Section 99245 shall verify that the revenues identified in  
23 subdivision (c) have been expended in conformance with these  
24 specific requirements and all other generally applicable  
25 requirements.

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

28 6051.8. (a) Except as provided by Section 6357.3, in addition  
29 to the taxes imposed by this part, for the privilege of selling  
30 tangible personal property at retail a tax is hereby imposed upon  
31 all retailers at the rate of 1.75 percent of the gross receipts of any  
32 retailer from the sale of all diesel ~~fuel~~ *fuel, as defined in Section*  
33 *60022.*

34 (b) Except as provided by Section 6357.3, in addition to the  
35 taxes imposed by this part and by subdivision (a), for the privilege  
36 of selling tangible personal property at retail a tax is hereby  
37 imposed upon all retailers at the rate of 4 percent of the gross  
38 receipts of any retailer from the sale of all diesel fuel, as defined  
39 in Section 60022, sold at retail in this state.

1 (c) Beginning July 1, 2020, and every third year thereafter, the  
2 State Board of Equalization shall recompute the rates of the taxes  
3 imposed by this section. That computation shall be made as  
4 follows:

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, 2020, 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 per gallon by the inflation  
15 adjustment factor determined in subparagraph (A) and round off  
16 the resulting product to the nearest tenth of a cent.

17 (C) Make its determination of the new rate no later than March  
18 1 of the same year as the effective date of the new rate.

19 (d) (1) Notwithstanding subdivision (b) of Section 7102, except  
20 as otherwise provided in paragraph (2), all of the revenues, less  
21 refunds, collected pursuant to this section shall be estimated by  
22 the State Board of Equalization, with the concurrence of the  
23 Department of Finance, and transferred quarterly to the Public  
24 Transportation Account in the State Transportation Fund for  
25 allocation under the State Transit Assistance Program pursuant to  
26 Section 99312.1 of the Public Utilities Code.

27 (2) The revenues, less refunds, attributable to a rate of 0.5  
28 percent of the 4-percent increase in the rate pursuant to subdivision  
29 (b), amounting to one-eighth of revenues from the increase in the  
30 rate under that subdivision, shall be estimated by the State Board  
31 of Equalization, with the concurrence of the Department of Finance,  
32 and transferred quarterly to the Public Transportation Account in  
33 the State Transportation Fund for allocation to the Department of  
34 Transportation, upon appropriation by the Legislature, to intercity  
35 rail and commuter rail purposes pursuant to Section 99315 of the  
36 Public Utilities Code.

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

39 6201.8. (a) Except as provided by Section 6357.3, in addition  
40 to the taxes imposed by this part, an excise tax is hereby imposed

1 on the storage, use, or other consumption in this state of diesel  
2 fuel, as defined in Section 60022, at the rate of 1.75 percent of the  
3 sales price of the diesel fuel.

4 (b) Except as provided by Section 6357.3, in addition to the  
5 taxes imposed by this part and by subdivision (a), an excise tax is  
6 hereby imposed on the storage, use, or other consumption in this  
7 state of diesel fuel, as defined in Section 60022, at the rate of 4  
8 percent of the sales price of the diesel fuel.

9 (c) Beginning July 1, 2020, and every third year thereafter, the  
10 State Board of Equalization shall recompute the rates of the taxes  
11 imposed by this section. That computation shall be made as  
12 follows:

13 (1) The Department of Finance shall transmit to the State Board  
14 of Equalization the percentage change in the California Consumer  
15 Price Index for all items from November of three calendar years  
16 prior to November of the prior calendar year, no later than January  
17 31, 2020, and January 31 of every third year thereafter.

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

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

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

25 (C) Make its determination of the new rate no later than March  
26 1 of the same year as the effective date of the new rate.

27 (d) (1) Notwithstanding subdivision (b) of Section 7102, except  
28 as otherwise provided in paragraph (2), all of the revenues, less  
29 refunds, collected pursuant to this section shall be estimated by  
30 the State Board of Equalization, with the concurrence of the  
31 Department of Finance, and transferred quarterly to the Public  
32 Transportation Account in the State Transportation Fund for  
33 allocation pursuant to Section 99312.1 of the Public Utilities Code.

34 (2) The revenues, less refunds, attributable to a rate of 0.5  
35 percent of the 4-percent increase in the rate pursuant to subdivision  
36 (b), amounting to one-eighth of revenues from the increase in the  
37 rate under that subdivision, shall be estimated by the State Board  
38 of Equalization, with the concurrence of the Department of Finance,  
39 and transferred quarterly to the Public Transportation Account in  
40 the State Transportation Fund for allocation to the Department of

1 Transportation, upon appropriation by the Legislature, to intercity  
2 rail and commuter rail purposes pursuant to Section 99315 of the  
3 Public Utilities Code.

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

6 7360. (a) (1) (A) A tax of eighteen cents (\$0.18) is hereby  
7 imposed upon each gallon of fuel subject to the tax in Sections  
8 7362, 7363, and 7364.

9 (B) In addition to the tax imposed pursuant to subparagraph  
10 (A), a tax of six cents (\$0.06) is hereby imposed upon each gallon  
11 of fuel, other than aviation gasoline, subject to the tax in Sections  
12 7362, 7363, and 7364. Effective one year after the date that the  
13 six-cent (\$0.06) tax is imposed, an additional tax of three cents  
14 (\$0.03) is hereby imposed, and effective two years after the date  
15 that the six-cent (\$0.06) tax is imposed, an additional tax of three  
16 cents (\$0.03) is hereby imposed, on each gallon of fuel, other than  
17 aviation gasoline, subject to the tax in Sections 7362, 7363, and  
18 7364.

19 (2) If the federal fuel tax is reduced below the rate of nine cents  
20 (\$0.09) per gallon and federal financial allocations to this state for  
21 highway and exclusive public mass transit guideway purposes are  
22 reduced or eliminated correspondingly, the tax rate imposed by  
23 subparagraph (A) of paragraph (1), on and after the date of the  
24 reduction, shall be recalculated by an amount so that the combined  
25 state rate under subparagraph (A) of paragraph (1) and the federal  
26 tax rate per gallon equal twenty-seven cents (\$0.27).

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

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

35 (c) Beginning July 1, 2020, and every third year thereafter, the  
36 State Board of Equalization shall recompute the rates of the taxes  
37 imposed by this section. That computation shall be made as  
38 follows:

39 (1) The Department of Finance shall transmit to the State Board  
40 of Equalization the percentage change in the California Consumer



1 Price Index for all items from November of three calendar years  
2 prior to November of the prior calendar year, no later than January  
3 31, 2020, and January 31 of every third year thereafter.

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

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

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

11 (C) Make its determination of the new rate no later than March  
12 1 of the same year as the effective date of the new rate.

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

15 8352.4. (a) Subject to Sections 8352 and 8352.1, and except  
16 as otherwise provided in subdivision (b), there shall be transferred  
17 from the money deposited to the credit of the Motor Vehicle Fuel  
18 Account to the Harbors and Watercraft Revolving Fund, for  
19 expenditure in accordance with Division 1 (commencing with  
20 Section 30) of the Harbors and Navigation Code, the sum of six  
21 million six hundred thousand dollars (\$6,600,000) per annum,  
22 representing the amount of money in the Motor Vehicle Fuel  
23 Account attributable to taxes imposed on distributions of motor  
24 vehicle fuel used or usable in propelling vessels. The actual amount  
25 shall be calculated using the annual reports of registered boats  
26 prepared by the Department of Motor Vehicles for the United  
27 States Coast Guard and the formula and method of the December  
28 1972 report prepared for this purpose and submitted to the  
29 Legislature on December 26, 1972, by the Director of  
30 Transportation. If the amount transferred during each fiscal year  
31 is in excess of the calculated amount, the excess shall be  
32 retransferred from the Harbors and Watercraft Revolving Fund to  
33 the Motor Vehicle Fuel Account. If the amount transferred is less  
34 than the amount calculated, the difference shall be transferred from  
35 the Motor Vehicle Fuel Account to the Harbors and Watercraft  
36 Revolving Fund. No adjustment shall be made if the computed  
37 difference is less than fifty thousand dollars (\$50,000), and the  
38 amount shall be adjusted to reflect any temporary or permanent  
39 increase or decrease that may be made in the rate under the Motor

1 Vehicle Fuel Tax Law. Payments pursuant to this section shall be  
2 made prior to payments pursuant to Section 8352.2.

3 (b) (1) Commencing July 1, 2017, the revenues attributable to  
4 the taxes imposed pursuant to subdivision (b) of Section 7360 and  
5 otherwise to be deposited in the Harbors and Watercraft Revolving  
6 Fund pursuant to subdivision (a) shall instead be transferred to the  
7 Highway Users Tax Account for distribution pursuant to Section  
8 2103.1 of the Streets and Highways Code.

9 (2) Commencing July 1, 2017, the revenues attributable to the  
10 taxes imposed pursuant to subparagraph (B) of paragraph (1) of  
11 subdivision (a) of Section 7360 and otherwise to be deposited in  
12 the Harbors and Watercraft Revolving Fund pursuant to subdivision  
13 (a) shall instead be transferred to the Road Maintenance and  
14 Rehabilitation Account pursuant to Section 2031 of the Streets  
15 and Highways Code.

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

18 8352.5. (a) (1) Subject to Sections 8352 and 8352.1, and  
19 except as otherwise provided in subdivision (b), there shall be  
20 transferred from the money deposited to the credit of the Motor  
21 Vehicle Fuel Account to the Department of Food and Agriculture  
22 Fund, during the second quarter of each fiscal year, an amount  
23 equal to the estimate contained in the most recent report prepared  
24 pursuant to this section.

25 (2) The amounts are not subject to Section 6357 with respect  
26 to the collection of sales and use taxes thereon, and represent the  
27 portion of receipts in the Motor Vehicle Fuel Account during a  
28 calendar year that were attributable to agricultural off-highway  
29 use of motor vehicle fuel which is subject to refund pursuant to  
30 Section 8101, less gross refunds allowed by the Controller during  
31 the fiscal year ending June 30 following the calendar year to  
32 persons entitled to refunds for agricultural off-highway use  
33 pursuant to Section 8101. Payments pursuant to this section shall  
34 be made prior to payments pursuant to Section 8352.2.

35 (b) (1) Commencing July 1, 2017, the revenues attributable to  
36 the taxes imposed pursuant to subdivision (b) of Section 7360 and  
37 otherwise to be deposited in the Department of Food and  
38 Agriculture Fund pursuant to subdivision (a) shall instead be  
39 transferred to the Highway Users Tax Account for distribution  
40 pursuant to Section 2103.1 of the Streets and Highways Code.

1 (2) Commencing July 1, 2017, the revenues attributable to the  
2 taxes imposed pursuant to subparagraph (B) of paragraph (1) of  
3 subdivision (a) of Section 7360 and otherwise to be deposited in  
4 the Department of Food and Agriculture Fund pursuant to  
5 subdivision (a) shall instead be transferred to the Road Maintenance  
6 and Rehabilitation Account pursuant to Section 2031 of the Streets  
7 and Highways Code.

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

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

20 8352.6. (a) (1) Subject to Section 8352.1, and except as  
21 otherwise provided in paragraphs (2) and (3), on the first day of  
22 every month, there shall be transferred from moneys deposited to  
23 the credit of the Motor Vehicle Fuel Account to the Off-Highway  
24 Vehicle Trust Fund created by Section 38225 of the Vehicle Code  
25 an amount attributable to taxes imposed upon distributions of motor  
26 vehicle fuel used in the operation of motor vehicles off highway  
27 and for which a refund has not been claimed. Transfers made  
28 pursuant to this section shall be made prior to transfers pursuant  
29 to Section 8352.2.

30 (2) (A) Commencing July 1, 2017, the revenues attributable to  
31 the taxes imposed pursuant to subdivision (b) of Section 7360 and  
32 otherwise to be deposited in the Off-Highway Vehicle Trust Fund  
33 pursuant to paragraph (1) shall instead be transferred to the  
34 Highway Users Tax Account for distribution pursuant to Section  
35 2103.1 of the Streets and Highways Code.

36 (B) Commencing July 1, 2017, the revenues attributable to the  
37 taxes imposed pursuant to subparagraph (B) of paragraph (1) of  
38 subdivision (a) of Section 7360 and otherwise to be deposited in  
39 the Off-Highway Vehicle Trust Fund pursuant to subdivision (a)  
40 shall instead be transferred to the Road Maintenance and

1 Rehabilitation Account pursuant to Section 2031 of the Streets  
2 and Highways Code.

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

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

17 (1) The number of vehicles registered as off-highway motor  
18 vehicles as required by Division 16.5 (commencing with Section  
19 38000) of the Vehicle Code.

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

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

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

28 (c) It is the intent of the Legislature that transfers from the Motor  
29 Vehicle Fuel Account to the Off-Highway Vehicle Trust Fund  
30 should reflect the full range of motorized vehicle use off highway  
31 for both motorized recreation and motorized off-road access to  
32 other recreation opportunities. Therefore, the Legislature finds that  
33 the fuel tax baseline established in subdivision (b), attributable to  
34 off-highway estimates of use as of the 2006–07 fiscal year,  
35 accounts for the three categories of vehicles that have been found  
36 over the years to be users of fuel for off-highway motorized  
37 recreation or motorized access to nonmotorized recreational  
38 pursuits. These three categories are registered off-highway  
39 motorized vehicles, registered street-legal motorized vehicles used  
40 off highway, and unregistered off-highway motorized vehicles.

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

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

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

21 60050. (a) (1) A tax of thirteen cents (\$0.13) is hereby  
22 imposed upon each gallon of diesel fuel subject to the tax in  
23 Sections 60051, 60052, and 60058.

24 (2) If the federal fuel tax is reduced below the rate of fifteen  
25 cents (\$0.15) per gallon and federal financial allocations to this  
26 state for highway and exclusive public mass transit guideway  
27 purposes are reduced or eliminated correspondingly, the tax rate  
28 imposed by paragraph (1) shall be increased by an amount so that  
29 the combined state rate under paragraph (1) and the federal tax  
30 rate per gallon equal what it would have been in the absence of  
31 the federal reduction.

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

35 (b) In addition to the tax imposed pursuant to subdivision (a),  
36 an additional tax of twenty cents (\$0.20) is hereby imposed upon  
37 each gallon of diesel fuel subject to the tax in Sections 60051,  
38 60052, and 60058.

39 (c) Beginning July 1, 2020, and every third year thereafter, the  
40 State Board of Equalization shall recompute the rates of the taxes

1 imposed by this section. That computation shall be made as  
2 follows:

3 (1) The Department of Finance shall transmit to the State Board  
4 of Equalization the percentage change in the California Consumer  
5 Price Index for all items from November of three calendar years  
6 prior to November of the prior calendar year, no later than January  
7 31, 2020, and January 31 of every third year thereafter.

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

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

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

15 (C) Make its determination of the new rate no later than March  
16 1 of the same year as the effective date of the new rate.

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

19 183.1. Except as otherwise provided in Section 54237.7 of the  
20 Government Code, money deposited into the account that is not  
21 subject to Article XIX of the California Constitution, including,  
22 but not limited to, money that is derived from the sale of  
23 documents, charges for miscellaneous services to the public,  
24 condemnation deposits fund investments, rental of state property,  
25 or any other miscellaneous uses of property or money, shall be  
26 deposited in the Road Maintenance and Rehabilitation Account  
27 created pursuant to Section 2031.

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

30 820.1. (a) The State of California consents to the jurisdiction  
31 of the federal courts with regard to the compliance, discharge, or  
32 enforcement of the responsibilities assumed by the department  
33 pursuant to ~~Section 326 of, and subsection (a) of Section 327 of,~~  
34 *Sections 326 and 327(a) of Title 23 of the United States Code.*

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

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

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

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

8  
9 CHAPTER 2. ROAD MAINTENANCE AND REHABILITATION  
10 PROGRAM

11  
12 2030. (a) The Road Maintenance and Rehabilitation Program  
13 is hereby created to address deferred maintenance on the state  
14 highway system and the local street and road system. Funds made  
15 available by the program shall be prioritized for expenditure on  
16 basic road maintenance and road rehabilitation projects, and on  
17 critical safety projects. For funds appropriated pursuant to  
18 paragraph (1) of subdivision ~~(d)~~ (e) of Section 2032, the California  
19 Transportation Commission shall adopt performance criteria,  
20 consistent with the asset management plan required pursuant to  
21 *Section* 14526.4 of the Government Code, to ensure efficient use  
22 of the funds available for these purposes in the program.

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

25 (A) Road maintenance and rehabilitation.

26 (B) Safety projects.

27 (C) Railroad grade separations.

28 (D) Complete street components, including active transportation  
29 purposes, pedestrian and bicycle safety projects, transit facilities,  
30 and drainage and stormwater capture projects in conjunction with  
31 any other allowable project.

32 (E) Traffic control devices.

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

36 2031. The following revenues shall be deposited in the Road  
37 Maintenance and Rehabilitation Account, which is hereby created  
38 in the State Transportation Fund:

39 (a) Notwithstanding subdivision (b) of Section 2103, the portion  
40 of the revenues in the Highway Users Tax Account attributable to

1 the increases in the motor vehicle fuel excise tax pursuant to  
2 subparagraph (B) of paragraph (1) of subdivision (a) of Section  
3 7360 of the Revenue and Taxation Code, as adjusted pursuant to  
4 subdivision (c) of that section.

5 (b) The portion of revenues attributable to the increase in the  
6 motor vehicle fuel excise tax pursuant to subparagraph (B) of  
7 paragraph (1) of subdivision (a) of Section 7360 of the Revenue  
8 and Taxation Code, as adjusted pursuant to subdivision (c) of that  
9 section, and designated for the Road Maintenance and  
10 Rehabilitation Account pursuant to paragraph (2) of subdivision  
11 (b) of Section 8352.4 of, paragraph (2) of subdivision (b) of Section  
12 8352.5 of, and subparagraph (B) paragraph (2) of subdivision (a)  
13 of Section 8352.6 of, that code.

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

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

20 (e) The revenues deposited in the account pursuant to Section  
21 183.1 of the Streets and Highways Code.

22 (f) Any other revenues designated for the program.

23 2031.5. Each fiscal year the annual Budget Act shall contain  
24 an appropriation from the Road Maintenance and Rehabilitation  
25 Account to the Controller for the costs of carrying out his or her  
26 duties pursuant to this chapter and to the California Transportation  
27 Commission for the costs of carrying out its duties pursuant to this  
28 chapter and Section 14526.7 of the Government Code.

29 2032. (a) (1) After deducting the amounts appropriated in the  
30 annual Budget Act, as provided in Section 2031.5, two hundred  
31 million dollars (\$200,000,000) of the remaining revenues deposited  
32 in the Road Maintenance and Rehabilitation Account shall be set  
33 aside annually for counties that have sought and received voter  
34 approval of taxes or that have imposed fees, including uniform  
35 developer fees as defined by subdivision (b) of Section 8879.67  
36 of the Government Code, which taxes or fees are dedicated solely  
37 to transportation improvements. The Controller shall each month  
38 set aside one-twelfth of this amount, to accumulate a total of two  
39 hundred million dollars (\$200,000,000) in each fiscal year.



1 (2) Notwithstanding Section 13340 of the Government Code,  
2 the funds available under this subdivision in each fiscal year are  
3 hereby continuously appropriated for allocation to each eligible  
4 county and each city in the county for road maintenance and  
5 rehabilitation purposes pursuant to Section 2033.

6 (b) (1) After deducting the amounts appropriated in the annual  
7 Budget Act pursuant to Section 2031.5 and the amount allocated  
8 in subdivision (a), beginning in the 2017–18 fiscal year, eighty  
9 million dollars (\$80,000,000) of the remaining revenues shall be  
10 transferred annually to the State Highway Account for expenditure,  
11 upon appropriation by the Legislature, on the Active Transportation  
12 Program created pursuant to Chapter 8 (commencing with Section  
13 2380) of Division 3 to be allocated by the California Transportation  
14 Commission pursuant to Section 2381.

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

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

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

1 transportation-related workforce education, training, and  
2 development. Prior to the start of each fiscal year, the chairs of the  
3 Assembly Committee on Transportation and the Senate Committee  
4 on Transportation and Housing shall confer and set out a  
5 recommended priority list of research components to be addressed  
6 in the upcoming fiscal year.

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

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

14 (2) Fifty percent for apportionment to cities and counties by the  
15 Controller pursuant to the formula in clauses (i) and (ii) of  
16 subparagraph (C) of paragraph (3) of subdivision (a) of Section  
17 2103 for the purposes authorized by this chapter.

18 2033. (a) On or before January 1, 2018, the commission, in  
19 cooperation with the department, transportation planning agencies,  
20 county transportation commissions, and other local agencies, shall  
21 develop guidelines for the allocation of funds pursuant to  
22 subdivision (a) of Section 2032.

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

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

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

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

3 2103.1. (a) Notwithstanding Section 2103, the revenues  
4 transferred to the Highway Users Tax Account pursuant to Sections  
5 8352.4, 8352.5, and 8352.6 of the Revenue and Taxation Code  
6 shall be distributed pursuant to the formula in paragraph (3) of  
7 subdivision (a) of Section 2103.

8 (b) Notwithstanding subdivision (b) of Section 2103, the portion  
9 of revenues in the Highway Users Tax Account attributable to the  
10 increases in the motor vehicle fuel excise tax pursuant to  
11 subparagraph (B) of paragraph (1) of subdivision (a) of Section  
12 7360 of the Revenue and Taxation Code, as adjusted pursuant to  
13 subdivision (c) of that section, shall be transferred to the Road  
14 Maintenance and Rehabilitation Account pursuant to Section 2031.

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

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

23 2192. (a) (1) The Trade Corridors Improvement Fund, created  
24 pursuant to subdivision (c) of Section 8879.23 of the Government  
25 Code, is hereby continued in existence to receive revenues from  
26 state sources other than the Highway Safety, Traffic Reduction,  
27 Air Quality, and Port Security Bond Act of 2006.

28 (2) Revenues apportioned to the state under Section 167 of Title  
29 23 of the United States Code from the national highway freight  
30 program, pursuant to the federal Fixing America's Surface  
31 Transportation Act ("FAST Act," Public Law 114-94) shall be  
32 allocated for projects approved pursuant to this chapter.

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

35 (c) The funding described in subdivision (a) shall be available  
36 upon appropriation for allocation by the California Transportation  
37 Commission for infrastructure improvements in this state on  
38 federally designated Trade Corridors of National and Regional  
39 Significance, on the Primary Freight Network, and along other  
40 corridors that have a high volume of freight movement, as

1 determined by the commission and as identified in the state freight  
2 plan developed and adopted pursuant to Section 13978.8 of the  
3 Government Code. In prioritizing the projects for funding, the  
4 commission shall consult the California Sustainable Freight Action  
5 Plan released in July 2016 pursuant to Executive Order B-32-15,  
6 trade infrastructure and goods movement plans adopted by regional  
7 transportation planning agencies, adopted regional transportation  
8 plans required by state and federal law, and the applicable port  
9 master plan. Eligible projects for the funding described in  
10 subdivision (a) shall further the state's economic, environmental,  
11 and public health objectives and goals for freight policy, as  
12 articulated in the plans to be consulted pursuant to this subdivision.

13 Eligible projects are as follows:

14 (1) Highway, local road, and rail capital and capacity  
15 improvements, rail landside access improvements, landside freight  
16 access improvements to airports, seaports, and land ports, and  
17 operational improvements to more efficiently accommodate the  
18 movement of freight, particularly for ingress and egress to and  
19 from the state's land ports of entry, rail terminals, and seaports,  
20 including navigable inland waterways used to transport freight  
21 between seaports, land ports of entry, and airports, and to relieve  
22 traffic congestion along major trade or goods movement corridors.

23 (2) Freight rail system improvements to enhance the ability to  
24 move goods from seaports, land ports of entry, and airports to  
25 warehousing and distribution centers throughout California,  
26 including projects that separate rail lines from highway or local  
27 road traffic, improve freight rail mobility through mountainous  
28 regions, relocate rail switching yards, and other projects that  
29 improve the efficiency and capacity of the rail freight system.

30 (3) Infrastructure improvement projects to enhance the capacity  
31 and efficiency of ports without having the effect of displacing  
32 workers in port operations.

33 (4) Truck corridor and capital and operational improvements,  
34 including, but not limited to, dedicated truck facilities or truck toll  
35 facilities.

36 (5) Border capital and operational improvements that enhance  
37 goods movement between California and Mexico and that  
38 maximize the state's ability to access funds made available to the  
39 state by federal law.

1 (6) Surface transportation and connector road capital and  
2 operational improvements to effectively facilitate the movement  
3 of goods, particularly for ingress and egress to and from the state's  
4 land ports of entry, airports, and seaports, to relieve traffic  
5 congestion along major trade or goods movement corridors.

6 (d) (1) In evaluating the program of projects to be funded with  
7 funds described in paragraph (2) of subdivision (a), the commission  
8 shall evaluate the total potential economic and noneconomic  
9 benefits of the program of projects to California's economy,  
10 environment, and public health. The commission shall consult with  
11 the agencies identified in Executive Order B-32-15 and  
12 metropolitan planning organizations in order to utilize the  
13 appropriate models, techniques, and methods to develop the  
14 parameters for evaluating the program of projects. The commission  
15 shall allocate the funding described in paragraph (2) of subdivision  
16 (a) for trade infrastructure improvements consistent with Section  
17 8879.52 of the Government Code and the Trade Corridors  
18 Improvement Fund (TCIF) Guidelines adopted by the commission  
19 on November 27, 2007, or as amended by the commission, and in  
20 a manner that (A) addresses the state's most urgent needs, (B)  
21 balances the demands of various land ports of entry, seaports, and  
22 airports, (C) provides reasonable geographic balance between the  
23 state's regions, (D) places emphasis on projects that improve trade  
24 corridor mobility and safety while reducing emissions of diesel  
25 particulate and other pollutant emissions and reducing other  
26 negative community impacts, and (E) makes a significant  
27 contribution to the state's economy.

28 (2) The commission shall allocate the federal freight funding,  
29 specifically, pursuant to the original TCIF Guidelines, as adopted  
30 by the commission on November 27, 2007, and in the manner  
31 described in (A) to (E), inclusive, of paragraph (1).

32 (A) One hundred fifty million dollars (\$150,000,000) shall be  
33 dedicated exclusively to fund improvements to California's existing  
34 or planned land ports of entry on the border with Mexico. The  
35 department, in consultation with the San Diego Association of  
36 Governments and the Imperial County Transportation Commission,  
37 shall nominate a program of projects for funding allocations that  
38 make border capital and operational improvements to enhance  
39 goods movement between California and Mexico and contribute  
40 to the reduction of emissions.

1 (B) Seventy million dollars (\$70,000,000) shall be dedicated  
2 exclusively to fund projects for the elimination, alteration, or  
3 improvement of hazardous railroad-highway grade crossings.  
4 Projects shall be jointly nominated by the department and a regional  
5 transportation agency.

6 (C) Three hundred sixty million dollars (\$360,000,000) shall  
7 be available for projects nominated by regional transportation  
8 agencies and other public agencies, including counties, cities, and  
9 port authorities, in consultation with the department, and consistent  
10 with corridor-based programming targets contained in the Trade  
11 Corridors Investment Fund (TCIF) Guidelines adopted by the  
12 commission on November 27, 2007, or as amended by the  
13 commission, to provide reasonable geographic targets for funding  
14 allocations without constraining what an agency may propose or  
15 what the commission may approve. However, the San Diego  
16 Association of Governments, the Imperial County Transportation  
17 Commission, and other public agencies in San Diego and Imperial  
18 Counties shall be excluded from nominating projects under this  
19 subparagraph.

20 ~~(2)~~

21 (3) The commission shall proportionately adjust the amounts  
22 in subparagraphs (A), (B), and (C) of paragraph (1) if the amount  
23 of funds described in paragraph (2) of subdivision (a) is less than  
24 or greater than five hundred eighty million dollars (\$580,000,000).

25 ~~(3)~~

26 (4) The commission shall adopt guidelines to allocate the  
27 funding described in subdivision (a) for trade infrastructure  
28 improvements in a manner that (A) addresses the state's most  
29 urgent needs, (B) balances the demands of various land ports of  
30 entry, seaports, and airports, (C) provides reasonable geographic  
31 balance between the state's regions, (D) places emphasis on  
32 projects that improve trade corridor mobility and safety while  
33 reducing emissions of diesel particulates, greenhouse gases, and  
34 other pollutants and reducing other negative community impacts,  
35 and (E) makes a significant contribution to the state's economy.  
36 The commission shall adopt any amendments to the 2007  
37 guidelines on or before April 1, 2017.

38 ~~(4)~~



1 (5) In adopting amended guidelines, and developing and  
2 adopting the program of projects, the commission shall do all of  
3 the following:

4 (A) Accept nominations for projects to be included in the  
5 program of projects from regional and local transportation agencies  
6 and the department.

7 (B) Recognize the key role of the state in project identification  
8 and support integrating statewide goods movement priorities into  
9 the corridor approach.

10 (C) Give the highest priority for funding allocations to projects  
11 jointly nominated by the department and a regional or other public  
12 agency.

13 ~~(5)~~

14 (6) In addition, the commission shall also consider the following  
15 factors when allocating funds under this section:

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

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

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

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

27 SEC. 28. Section 2192.2 of the Streets and Highways Code is  
28 amended to read:

29 2192.2. The commission shall allocate funds made available  
30 by this chapter to projects that have identified and committed  
31 supplemental funding from appropriate local, federal, or private  
32 sources. The commission shall determine the appropriate amount  
33 of supplemental funding each project should have to be eligible  
34 for moneys based on a project-by-project review and an assessment  
35 of the project’s benefit to the state and the program. Funded  
36 improvements shall have supplemental funding that is at least equal  
37 to the amount of the contribution under this chapter. The  
38 commission may give priority for funding to projects with higher  
39 levels of committed supplemental funding.

1 SEC. 29. Section 2192.4 is added to the Streets and Highways  
2 Code, to read:

3 2192.4. The portion of the revenues in the Highway Users Tax  
4 Account attributable to the increase in the diesel fuel excise tax  
5 pursuant to subdivision (b) of Section 60050 of the Revenue and  
6 Taxation Code, as adjusted pursuant to subdivision (c) of that  
7 section, shall be transferred to the Trade Corridors Improvement  
8 Fund.

9 SEC. 30. Section 9250.3 is added to the Vehicle Code, to read:

10 9250.3. (a) In addition to any other fees specified in this code  
11 or the Revenue and Taxation Code, commencing October 1, 2017,  
12 a registration fee of thirty-eight dollars (\$38) shall be paid to the  
13 department for registration or renewal of registration of every  
14 vehicle subject to registration under this code, except those vehicles  
15 that are expressly exempted under this code from payment of  
16 registration fees.

17 (b) Beginning October 1, 2020, and every third year thereafter,  
18 the Department of Motor Vehicles shall adjust the fee imposed  
19 under this section for inflation in an amount equal to the change  
20 in the California Consumer Price Index for the prior three-year  
21 period, as calculated by the Department of Finance, with amounts  
22 equal to or greater than fifty cents (\$0.50) rounded to the next  
23 highest whole dollar.

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

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

30 9250.6. (a) In addition to any other fees specified in this code,  
31 or the Revenue and Taxation Code, commencing October 1, 2017,  
32 a registration fee of one hundred dollars (\$100) shall be paid to  
33 the department for registration or renewal of registration of every  
34 zero-emission motor vehicle subject to registration under this code,  
35 except those motor vehicles that are expressly exempted under  
36 this code from payment of registration fees.

37 (b) Beginning October 1, 2020, and every third year thereafter,  
38 the Department of Motor Vehicles shall adjust the fee imposed  
39 under this section for inflation in an amount equal to the change  
40 in the California Consumer Price Index for the prior three-year

1 period, as calculated by the Department of Finance, with amounts  
2 equal to or greater than fifty cents (\$0.50) rounded to the next  
3 highest whole dollar.

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

8 (d) This section does not apply to a commercial motor vehicle  
9 subject to Section 9400.1.

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

13 (f) For purposes of this section, “zero-emission motor vehicle”  
14 means a motor vehicle as described in subdivisions (c) and (d) of  
15 Section 44258 of the Health and Safety Code, or any other motor  
16 vehicle that is able to operate on any fuel other than gasoline or  
17 diesel fuel.

18 SEC. 32. Section 9400.5 is added to the Vehicle Code, to read:

19 9400.5. (a) Notwithstanding Sections 9400.1, 9400.4, and  
20 42205 of this code, Sections 16773 and 16965 of the Government  
21 Code, Section 2103 of the Streets and Highways Code, or any  
22 other law, weight fee revenues shall only be transferred consistent  
23 with the schedule provided in subdivision (b) from the State  
24 Highway Account to the Transportation Debt Service Fund, the  
25 Transportation Bond Direct Payment Account, or any other fund  
26 or account for the purpose of payment of the debt service on  
27 transportation general obligation bonds and shall not be loaned to  
28 the General Fund.

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

32 (A) Ninety percent of the total weight fees in the 2017–18 fiscal  
33 year.

34 (B) Eighty percent of the total weight fees in the 2018–19 fiscal  
35 year.

36 (C) Seventy percent of the total weight fees in the 2019–20  
37 fiscal year.

38 (D) Sixty percent of the total weight fees in the 2020–21 fiscal  
39 year.

1 (E) Fifty percent of the total weight fees in 2021–22 and  
2 subsequent fiscal years.

3 (2) The California Transportation Commission, on or before  
4 January 1, 2018, shall recommend a course of action to the  
5 Legislature and the Governor that would provide for the portion  
6 of weight fees described in subparagraph (E) of paragraph (1) to  
7 be retained in the State Highway Account or transferred to the  
8 Road Maintenance and Rehabilitation Account created pursuant  
9 to Section 2031.

10 SEC. 33. The increases in tax rates in Sections 6051.8, 6201.8,  
11 7360, and 60050 of the Revenue and Taxation Code, as amended  
12 by this act, shall become effective on July 1, 2017.

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

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