



Date: May 26, 2017

To: Mayor and Members of the City Council

From: Patrick H. West, City Manager *T.H.W.*

Subject: **SB 1 – Statewide Transportation Investment Package**

Introduction

SB 1 creates the Roadway Maintenance and Rehabilitation (RMR) Program to address the backlog of maintenance on State and local roadway systems. The bill was signed into law by Governor Brown on April 28, 2017. This memorandum provides an overview of the bill, how funds are allocated, and how the revenue is generated.

Transportation Funding Needs

There are 786 miles of local streets in Long Beach. We have 177 miles of major roadways, which include arterial, collector, and industrial streets. We also have 609 miles of local roadways, which include residential streets and frontage roads. Based on data collected in 2015, major roadways in Long Beach have an average Pavement Condition Index (PCI) of 63. Minor roadways in Long Beach have a lower PCI of 56. Public Works is currently updating the Pavement Management Plan (PMP) and will soon be providing the City Council with a report on what has occurred over the last two years.

Bill Analysis

SB 1 provides additional State funding for streets, roads, and highways through new tax and fee increases. While these revenue increases do not sunset and are anticipated to be distributed indefinitely, the most recent statewide estimate shows the RMR Program is expected to generate \$52.4 billion over the next ten years. The bill directs RMR Program funding towards deferred maintenance on State highways, local streets and roads, and towards the improvement of California's trade corridors, transit, and active transportation facilities.

Specifically, SB 1 RMR revenues will be allocated as follows, annually:

- \$1.5 billion for local streets and road maintenance;
- \$750 million for transit operations and capital;
- \$200 million for the local partnership program for existing and aspiring self-help jurisdictions. Guidelines are to be developed by January 1, 2018;
- \$100 million for the Active Transportation Program;
- \$82.5 million for the regional share of the State Transportation Improvement Program;
- \$25 million for local planning grants;
- \$1.5 billion for state highway maintenance and rehabilitation;
- \$400 million for bridges and culvert maintenance and rehabilitation;

- \$300 million for high priority freight corridors;
- \$250 million for congested corridor relief;
- \$80 million for park programs, off-highway vehicle programs, boating programs, and agricultural programs;
- \$27.5 million for the interregional share of the State Transportation Improvement Program;
- \$25 million for the freeway service patrols;
- \$7 million for transportation research and workforce training programs administered by the California State University and University of California systems; and
- \$5 million, annually for the next five years, for local pre-apprenticeship training programs.

Revenue Mechanisms

Per SB 1, revenues for the RMR Program will be raised by increasing the gasoline excise tax, and diesel excise tax, as well as implementing a new transportation improvement fee based on car value, and vehicle registration fee for zero-emission vehicles, as described below:

Revenue Mechanisms	Effective Date	First Inflation Adjustment
12 cent per gallon increase to the gasoline excise tax.	November 1, 2017	July 1, 2020
20 cent per gallon increase to the diesel excise tax.	November 1, 2017	July 1, 2020
4 percent increase to the diesel sales tax.	November 1, 2017	N/A
Transportation improvement fee collected with vehicle registration fee based on the market value of vehicle. <ul style="list-style-type: none"> • \$25 for vehicles less than \$5,000 in value; • \$50 for \$5,000-\$24,999; • \$100 for \$25,000-\$34,999; • \$150 for \$35,000-\$ 59,999; and • \$175 for vehicles \$60,000 or more in value. 	Spring 2018	July 1, 2020
\$100 Vehicle Registration Fee for all zero-emission vehicles model year 2020 and later.	July 1, 2020.	January 1, 2021

SB 1 also eliminates the annual adjustment required by the "Gas Tax Swap" of 2010, and replaces it by re-establishing the Price Based Tax (PBET) at the original rate of \$0.173 per gallon. This change stabilizes the tax and increases revenues for FY 18.

Eligible Uses

Funds made available by the RMR Program can be used to satisfy State or federal grant matching requirements, or in furtherance of projects that include, but are not limited to:

- Road maintenance and rehabilitation;
- Safety projects;
- Railroad grade separations;
- Complete street components, active transportation purposes, pedestrian and bicycle safety projects, transit facilities, and drainage and stormwater capture projects; in conjunction with any other allowable project; and
- Traffic control devices.

If a city's average Pavement Condition Index meets or exceeds 80, then that city may spend its apportionment of RMR funds on transportation priorities other than those allowable pursuant to SB 1.

Long Beach Impacts

Once new RMR revenue mechanisms are fully in place, the City is projected to receive \$11 million in RMR funding annually and indefinitely. Receipt of RMR funding is in addition to the City's existing receipt of Highway Users Tax Account (HUTA) funding. Long Beach is expecting to receive a total of \$9.6 million in HUTA funding for FY 17. With the passage of SB 1, the City is projected to receive \$2.8 million in RMR funding in addition to the \$10.7 million in HUTA funding for FY 18. For FY 19, the City is expecting RMR revenue to rise to \$8.3 million and HUTA funding to be \$10.8 million.

With the passage of SB 1, City staff will be developing a recommended plan for spending new RMR revenues, in accordance with funding restrictions, capital and operating needs, and any prohibitions on supplanting existing street funding. This will involve reviewing the City's existing Infrastructure Investment Plan, Measure R funding, Measure MA, Measure M funding, and Measure A funding, in context with RMR funding and guidelines. Upon completion of this review, staff will present a revised Infrastructure Plan to the City Council, currently expected in July 2017. This plan will include recommendations on how the City's various revenue streams can work together to improve the City's infrastructure and fund critical investments.

If you have questions or comments, please contact Craig Beck, Director of Public Works at 570-6771, or Diana Tang, Manager of Government Affairs at 570-6506.

cc: Charles Parkin, City Attorney
Laura Doud, City Auditor
Doug Haubert, City Prosecutor
Tom Modica, Assistant City Manager
Anitra Dempsey, Interim Deputy City Manager
Craig Beck, Director of Public Works
John Gross, Director of Financial Management
Rebecca Jimenez, Assistant to the City Manager
Diana Tang, Manager of Government Affairs
DiMare, Brown, Hicks, Kessler, LLC