

Date of Hearing: April 5, 2021

ASSEMBLY COMMITTEE ON TRANSPORTATION  
Laura Friedman, Chair  
AB 604 (Daly) – As Introduced February 11, 2021

**SUBJECT:** Road Maintenance and Rehabilitation Account: apportionment of funds: accrued interest

**SUMMARY:** Continuously appropriates interest earnings derived from revenues deposited in the Road Maintenance and Rehabilitation Account (RMRA) to the California Department of Transportation (Caltrans) for maintenance of the state highway system or for purposes of the State Highway Operation and Protection Program (SHOPP).

**EXISTING LAW:**

- 1) Levies a variety of taxes and fees on gasoline, diesel fuel, and motor vehicles including, but not limited to, a per gallon gasoline excise tax, an excise and sales tax on diesel fuel, and an annual vehicle registration fee.
- 2) Directs the revenue generated through these transportation taxes and fees to different accounts to be used for various transportation programs.
- 3) Creates the RMRA and directs that funds deposited into the account be spent on basic road maintenance and rehabilitation, critical safety projects, and several other transportation programs.
- 4) Does not explicitly assign interest earnings in state transportation accounts to specific programs.

**FISCAL EFFECT:** Unknown

**COMMENTS:** This bill clarifies that interest earned on revenues deposited into the RMRA are dedicated to maintenance of the state's highway system consistent with the Road Repair and Accountability Act—SB 1 (Beall) Chapter 5, Statutes of 2017. SB 1 increased resources to help address some of the state's transportation needs and put in place increased accountability and oversight measures for transportation funding. SB 1 created the RMRA, which receives about \$3 billion annually in state revenues from gasoline and diesel excise taxes, diesel transportation improvement fees (assessed on registered vehicles), and zero-emission vehicle fees. These revenues are deposited over the course of a fiscal year as they are collected.

SB 1 dedicates the revenues deposited into the RMRA sequentially for six purposes in fixed amounts: (1) \$200 million for the Local Partnership Program, (2) \$100 million for the Active Transportation Program, (3) \$400 million for state bridge and culvert maintenance and rehabilitation, (4) \$25 million for freeway service patrols, (5) \$5 million for workforce development programs (until 2021–22), and (6) \$7 million for transportation-related research. The remaining revenues are divided equally between the SHOPP and the Local Streets and Roads Program.

As is the case for the General Fund and other special funds, the RMRA carries a cash balance associated with it to ensure the availability of funds. This cash balance is invested in interest-bearing financial instruments through the state's Pooled Money Investment Account. The RMRA then receives associated interest earnings. For 2019–20, these interest earnings were \$36.2 million and are estimated to be \$30 million in 2020-21. RMRA revenue for local programs is dispersed on a monthly basis and does not contribute toward state interest earnings because interest on these funds is earned in local investment accounts.

Whereas SB 1 dedicates the revenues deposited into the RMRA to specified programs, the legislation does not contain statutory language dedicating interest earnings to specific programs. Thus, the interest earnings effectively end up in the account's cash balance. To clarify the use of interest earnings on RMRA revenues, the California Transportation Commission (CTC) recommended in its 2019 and 2020 Annual Reports to the Legislature that the Legislature make statutory changes to assign RMRA interest earnings to the SHOPP. This recommendation is consistent with SB 1's legislative intent for the SHOPP to receive the balance of funds remaining in the RMRA after the fixed distributions specified in statute.

According to the author, "SB 1 is clear on how revenues deposited into the RMRA will be distributed. However, it does not explicitly account for the funds generated through interest earnings. This bill clarifies existing law on the use of these interest earnings to ensure that state transportation funds remain dedicated for their intended purpose – safe and reliable roadways."

*Previous legislation:* AB 2310 (Daly) of 2020 would have continuously appropriated interest earnings derived from revenues deposited in the RMRA to Caltrans for maintenance of the state highway system or for purposes of the SHOPP. The provisions of this bill were moved into AB 2285 (Committee on Transportation), Chapter 11, Statutes of 2020, but the provisions were later amended out in Senate Appropriations.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

American Automobile Association of Northern California, Nevada & Utah  
Associated General Contractors-California Chapter  
Automobile Club of Southern California  
California Asphalt Pavement Association  
California Construction & Industrial Materials Association  
Northern California Carpenters Regional Council  
Transportation California

### **Opposition**

None on file

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