

Date of Hearing: July 1, 2019

**ASSEMBLY COMMITTEE ON TRANSPORTATION**

Jim Frazier, Chair

SB 137 (Dodd) – As Amended June 18, 2019

**SENATE VOTE:** 38-0

**SUBJECT:** Federal transportation funds: state exchange programs

**SUMMARY:** Allows the California Department of Transportation (Caltrans) to exchange federal transportation funds for state transportation funds for specific types of locally-sponsored projects. Specifically, **this bill**:

- 1) Defines “federal local assistance funds” as federal funds apportioned to the State of California for the Highway Safety Improvement Program (HSIP), and local bridge projects.
- 2) Authorizes Caltrans to exchange state funds appropriated to the department from the State Highway Account (SHA) for federal local assistance funds, as defined, received by a local government.
- 3) Provides that the exchange of funds shall only occur if specific criteria are met, including:
  - a) The local government must use the funds for the same purposes for which the federal funds were originally intended;
  - b) The exchange will not put other transportation activities or projects needing state funds at risk;
  - c) The federal funds exchanged can be readily used by Caltrans on other projects during the federal fiscal year; and
  - d) The amount of funds exchanged will not exceed Caltrans’ ability to obligate all federal funds received during the federal fiscal year.
- 4) Requires the exchange to be on a dollar-for-dollar basis.
- 5) If Caltrans implements the exchange program, requires Caltrans, in consultation with the League of California Cities (League) and the California State Association of Counties (CSAC), to develop guidelines and procedures for the program, hold a public hearing, and adopt the guidelines on or before January 1, 2021. Allows Caltrans to amend the guidelines, as specified, after holding a public hearing.

**EXISTING LAW:**

- 1) Under federal law, the Fixing America’s Surface Transportation (FAST) Act (P. L. 114-94) is the current federal transportation authorization act governing the nation’s surface transportation infrastructure planning and investment.

- 2) Under federal law, the FAST Act authorizes \$305 billion over fiscal years (FY) 2016-2020 for highway, highway and motor vehicle safety, bridges, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology, and statistics programs.
- 3) Under federal law, federal transportation funding is annually apportioned to states through various transportation programs including the Surface Transportation Block Grant (STBG) and HSIP, with the funds being subject to certain conditions.
- 4) Provides for the allocation of the abovementioned federal funds to local public entities.
- 5) Creates the SHA and provides for state transportation taxes and fees to be deposited and allocated for state transportation programs.
- 6) Provides for the exchange of federal and state transportation funds between local public entities and the state, as specified.

**FISCAL EFFECT:** Unknown

**COMMENTS:** In 1991, the federal Intermodal Surface Transportation Efficiency Act (ISTEA) was signed into law by President Bush. ISTEA was a landmark piece of legislation, representing the first “intermodal” federal transportation program as a successor to the completion of the Interstate Highway System. Additionally, ISTEA was ground breaking for giving significant additional responsibilities to Metropolitan Planning Organizations (MPO)s, the regional entities responsible for developing transportation plans for metropolitan areas. ISTEA also created the Surface Transportation Program (STP), which brought a new level of flexibility to the funding process. STP dollars could be used for a broad range of highway and transit projects, including federal-aid highways, bridges on public roads, transit capital projects, car-pooling projects, safety improvements, bicycle and pedestrian facilities, and transportation control measures.

In response to the passage of ISTEA, California enacted SB 1435 (Kopp), Chapter 1177, Statutes of 1992, to help implement many of the provisions. The bill laid out how Caltrans would apportion Regional Surface Transportation Program (RSTP) funds, as STP is known in California, directly to MPOs, regional transportation planning agencies (RTPA), and county transportation commissions. In addition, SB 1435 authorized the so-called “Match-Exchange” program, which permits an RTPA, or an MPO with an urbanized area less than 200,000 in population in 1990, to exchange its annual apportionment of RSTP funds on a dollar-for-dollar basis for nonfederal SHA funds. Caltrans began exchanging funds in 1995.

Most transportation projects in the state are funded with a combination of federal, state, and local revenue regardless of what level of government is the project sponsor. All projects in the state are subject to state requirements, including completion of a California Environmental Quality Act (CEQA) review. A project that includes federal funding also requires the completion of a National Environmental Policy Act (NEPA) review and other environmental, financial, and reporting requirements. These requirements can be overly burdensome for smaller communities. The use of state funds saves both time and resources on projects. According to Caltrans, the department exchanged roughly \$56 million in the 2018-19 fiscal year.

This bill would authorize Caltrans to expand its current Match-Exchange program to include federal funds apportioned to the state for the HSIP and bridges for projects sponsored by cities and counties. If Caltrans chooses to expand the program, it would be required to develop

guidelines in consultation with the League and CSAC, including conducting a public hearing. According to Caltrans, the state receives approximately \$80 million annually for HSIP and \$300 million annually for bridges. These amounts represent the entire apportionment for the state and is not reflective of how many funds would be actually exchanged as Caltrans would only be exchanging funds for projects sponsored by cities and counties.

According to the author, “SB 137 reduces duplicative federal transportation administrative processes and environmental review by expanding the State’s existing program to exchange federal surface transportation revenues for state transportation revenues.” Further, “SB 137 will allow the state and local agencies to reduce the cost of transportation projects and provide for more projects to be completed with the same amount of revenue by expanding the Match Exchange Program to other federal surface transportation programs where federal funds are allocated to local agencies, specifically the Highway Safety Improvement Program, and local bridge projects.”

Writing as the sponsor of the bill, CSAC states that, “Counties have estimated that going through federal aid process and the National Environmental Policy Act review, in addition to California’s robust processes, adds anywhere from fifteen to forty percent to the cost of a project; especially smaller projects. Accordingly, it has been a long-standing goal of county transportation officials to more efficiently allocate federal funds among projects and exchange federal funds for state funding where appropriate.”

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California State Association of Counties (Sponsor)  
 Alameda County Transportation Commission (Support If Amended)  
 Association of Bay Area Governments (Support If Amended)  
 American Automobile Association of Northern California, Nevada & Utah  
 Automobile Club of Southern California  
 California Asphalt Pavement Association  
 City of Sacramento  
 Contra Costa County  
 League of California Cities  
 Marin County Council of Mayors And Council Members  
 Metropolitan Transportation Commission (Support If Amended)  
 Napa County Transportation and Planning Agency/Napa Valley Transportation Authority  
 Sacramento Area Council of Governments  
 Transportation California  
 United Contractors  
 Urban Counties of California

### **Opposition**

None on file

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