

Date of Hearing: July 8, 2019

ASSEMBLY COMMITTEE ON TRANSPORTATION  
Jim Frazier, Chair  
SB 277 (Beall) – As Amended July 1, 2019

**SENATE VOTE:** 38-0

**SUBJECT:** Road Maintenance and Rehabilitation Program: Local Partnership Program

**SUMMARY:** Defines and clarifies requirements for the implementation of the SB 1 Local Partnership Program (LPP) by the California Transportation Commission (CTC). Specifically, **this bill:**

- 1) Defines “eligible entity” to mean a local or regional transportation agency that has responsibility for funding, procuring, or constructing transportation improvements within its jurisdiction that has either sought and received voter approval for local taxes or fees or imposed uniform developer fees solely dedicated to transportation.
- 2) Establishes two subaccounts to implement the LPP:
  - a) Requires 85% of the funds be deposited in the Local Partnership Formula Subaccount to be annually apportioned via formula to each eligible entity, as defined; and
  - b) Requires 15% of the funds be deposited in the Small Counties and Uniform Developer Fees Competitive Subaccount to be made available for a competitive grant program to be administered by CTC for eligible smaller agencies that have either approved uniform developer fees, as defined, or have a population under 750,000.
- 3) Requires CTC to develop guidelines by April 1, 2020, in conjunction with transportation planning agencies and county transportation commissions to implement the LPP program. Allows CTC to amend the guidelines after conducting at least one public hearing.
- 4) Requires the guidelines to include but not be limited to:
  - a) Identification of eligible matching funds;
  - b) Establishment of the types of projects eligible for the program, as specified; and
  - c) Authorization of an entity to retain its apportionment for five years.

The guidelines may also include the ability to issue a Letter of No Prejudice, authorizing eligible entities to expend its own funds in advance of apportionment of funds by the CTC and to be reimbursed at a later time.

- 5) Requires that projects funded by the LPP be consistent with Article XIX Section 2 of the California Constitution and parameters included in SB 1, as defined.
- 6) For the 85% formula program, requires eligible entities to submit a list of projects to CTC to be funded, including a description and the location of each project, a schedule for completion, and the estimated useful life of the improvement. The list must be adopted by

resolution by the eligible entity at a public meeting. Requires CTC to approve the project list unless a project is not eligible for funding from the program.

- 7) Clarifies that CTC may continue to govern the existing cycle one of the competitive program and cycle one and two of the formula program using guidelines previous adopted.
- 8) Requires the next funding cycles to be governed by the new guidelines developed by CTC, as defined.
- 9) Defines how the formula shall be developed by CTC for the formula program to apportion funding among the eligible entities as follows:
  - a) Requires CTC determine the total amount of revenue generated;
  - b) Establishes a northern California and southern California share, as defined;
  - c) Southern Share -- Requires the funds for the southern share to be apportioned based on 75% population of the county in which the entity is located compared to the total population of the counties with eligible sales tax measures and 25% total sales tax revenue collected by each entity compared to the total sales tax revenue generated from the sales tax measures.
  - d) Northern Share -- Requires the funds for the northern share to be apportioned based on the proportional share of revenue generated by eligible bridge tolls, parcel or property taxes dedicated to transportation as compares to the total revenues generated; and 75% population of the county in which the entity is located compared to the total population of the counties with eligible sales tax measures and 25% total sales tax revenue collected by each entity compared to the total sales tax revenue generated from the sales tax measures.

**EXISTING LAW:**

- 1) Requires CTC to allocate various state and federal transportation funds through a variety of state programs to local public entities and regional transportation planning agencies (RTPAs) to construct transportation projects, as specified.
- 2) SB 1 (Beall) Chapter 5, Statutes of 2017, otherwise known as the Road Repair and Accountability Act of 2017, continuously appropriates \$200 million annually from the Road Maintenance and Rehabilitation Account for allocation by CTC to local or regional transportation agencies that have sought and received voter approval of taxes or that have imposed certain fees, for which those taxes or fees are dedicated solely to transportation improvements for road maintenance and other transportation improvement projects.
- 3) Requires CTC, in cooperation with the Department of Transportation (Caltrans), regional transportation planning agencies, county transportation commissions, and other local agencies, to develop guidelines for the allocation of LPP and authorizes CTC to amend the adopted guidelines after conducting at least one public hearing.

**FISCAL EFFECT:** Unknown

**COMMENTS:** The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, otherwise known as Proposition 1B, authorized \$19.9 billion in general obligation bonds for various transportation programs. One of those programs was the State-Local Partnership Program (SLPP), which received \$1 billion for allocation by CTC over a five-year period to eligible transportation projects that were nominated by transportation agencies. Specifically, the SLPP was a program designed to reward so-called “self-help” counties, cities, districts and regional transportation agencies in which voters have approved, by super majority, sales tax measures dedicated to transportation. SLPP also included other forms of self-help funding such as uniform developer fees and tolls dedicated to transportation. SLPP provided funding for a wide variety of capital projects that are typically funded in local or regional voter-approved expenditure plans and that promote mobility, accessibility, system connectivity, safety, or air quality benefits.

SLPP funds were split with 95% being distributed via formula based mainly upon the population of the county in which the sales tax was approved. The remaining 5% of the funds were set aside for the jurisdictions with uniform developer fees and the funds were distributed through a competitive grant program. SLPP required a dollar for dollar match of local funds for a transportation agency to receive state funds under the program. Through the end of the five-year SLPP bond program, CTC allocated \$981 million for 257 SLPP projects. As of June 30, 2017, 229 projects were completed, 192 submitted final delivery reports, and 28 projects remained under construction. Being a limited bond program, no further allocations were made by CTC beyond the five-year programming period.

In 2017, the Legislature passed and Governor Brown signed into law SB 1 (Beall), Chapter 5, Statutes of 2017. SB 1 continues the state’s commitment to supporting the “self-help” regions and incentivizing additional jurisdictions to sponsor local measures for transportation. Specifically, SB 1 included an annual \$200 million continuous appropriation for the newly renamed LPP. Similarly to the Proposition 1B program, the SB 1 LPP provides funding to transportation agencies that have approved a local sales tax measure or fees dedicated to transportation projects. The SB 1 LPP is currently under the program’s first two-year funding cycle with the second funding cycle to commence mid-2020.

However, unlike the Proposition 1B program, the new SB 1 LPP was implemented differently by the CTC. The LPP program is split with 50% of the funds being distributed via formula similar to the one used in Proposition 1B, and 50% of the funds are distributed through a competitive grant program in which all eligible entities can compete. The CTC developed the criteria for the grant awards and the eligible project types through its guidelines process. As mentioned, CTC has completed two cycles of the formulaic program, allocating \$200 million to eligible agencies, and one cycle, covering three years, of the competitive program, allocating \$300 million to various projects.

Unlike the prescriptive statute laying out the parameters of the Proposition 1B program, including requiring 95% of the funds be distributed by formula, the details of the formula, and the types of projects to be funded, SB 1, as amended by a follow-up budget trailer bill that year, AB 115 (Committee on Budget), Chapter 20, Statutes of 2017, included broad language authorizing the CTC to allocate funding to eligible entities, “for road maintenance and other transportation improvement projects.”

This bill gives clarity to the Legislature's intent for the implementation of the SB 1 LPP program to mirror the Proposition 1B program, while still providing some flexibility for smaller agencies to compete for funds. Specifically, the bill requires the CTC to apportion 85% of the funds to eligible entities through a defined formula, and authorizes 15% of the funds to be set aside for a statewide competitive program for smaller agencies, including those with uniform developer fees. Additionally, the bill streamlines the process for project approval for the agencies receiving funds via formula, and reiterates that projects funded by LPP must comply with SB 1's intent and with Article XIX of the California Constitution.

According to the author, "SB 1 annually provides \$200 million to the Local Partnership Program which translates to \$1 billion every five years that is provided to entities that have passed local sales tax measures dedicated to transportation projects. This is a significant amount of money; local and regional agencies should have the certainty and flexibility to spend the money on their own regional transportation priorities. Proposition 1B in 2006 ultimately implemented the LPP primarily on a formula basis. However, over the last two years, numerous conversations have occurred between CTC and transportation agencies as to how to administer LPP with SB 1 funds. This bill provides the necessary clarification and includes a number of provisions to allow local and regional agencies to work closely with the CTC to apportion LPP funds in the most effective manner to meet regional priorities."

Writing in support of the bill, the Self Help Counties Coalition states, "SB 1 with the inclusion of the Local Partnership Program (LPP), provides a reliable source of funding to counties that have had the courage, responsibility, and leadership to invest in our state's infrastructure. SB 277 will ensure the will of the legislature and voting public is adhered to when funding is distributed from the LPP program." Further, "the agencies that constitute the Self Help Counties have a long track record of keeping the faith of the voting public, and this trust is critical to our success. We bring that trust and accountability to the LPP program. Additionally, SB 277 will also result in significantly reduced overhead costs that come along with writing and reviewing expensive grant applications."

*Committee Comments:* Throughout the multiyear deliberations on transportation funding that ultimately became SB 1, there was constant support for including the LPP program to once again reward self-helps and to incentivize other transportation agencies to pursue local funding measures. A continual theme of those discussions was an understanding that CTC's implementation of the program would mirror the Proposition 1B program. Unfortunately, the CTC immediately pursued guidelines to create a 50% formula and 50% competitive program, in complete contrast to the intent of SB 1.

In fact, on June 8, 2017, Senator Jim Beall (D-San Jose), the author of this bill, and Assembly Member Jim Frazier (D-Oakley), Chairs of the Senate and Assembly Transportation Committees respectively, co-authored a letter to the CTC to clarify the intent of SB 1, "SB 1 included the Local Partnership Program funding in order to reward existing self-help counties and agencies that have passed developer fees on their own, and encourage aspiring agencies to achieve the voter thresholds required to impose local sales tax and developer fees for transportation. Imposing a local tax is not an easy feat and these local dollars provide significant benefit to the State's transportation system." Further, "although not specifically prescribed in SB 1, it was our intent, as co-authors of the measure and drafters of the original language, that the Local Partnership Program be implemented much like the State-Local Partnership Program (SLPP) created pursuant to Proposition 1B of 2006."

This bill provides clarity and guidance to CTC for implementation of the LPP in future years in the manner intended by the Legislature.

*Prior legislation:* SB 1 (Beall), Chapter 5, Statutes of 2017, authorized \$5.2 billion annually for various transportation programs, including providing a continuous appropriation of \$200 million to the LPP to be allocated by CTC.

AB 115 (Committee on Budget), Chapter 20, Statutes of 2017, amended the SB 1 LPP program to authorize CTC to allocate funds for road maintenance and other transportation improvement projects.

SB 1266 (Perata), Chapter 25, Statutes of 2006, authorized \$19.9 billion for various transportation programs, including \$1 billion for the State-Local Partnership Program for allocation by CTC over a five-year period to eligible transportation projects that were nominated by transportation agencies.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

Greater Riverside Chambers of Commerce  
Orange County Transportation Authority  
Riverside County Transportation Commission  
San Bernardino Associated Governments  
San Bernardino County Transportation Authority  
Santa Clara Valley Transportation Authority  
Self-Help Counties Coalition

##### **Support If Amended**

Transportation Agency for Monterey County (TAMC)

##### **Oppose Unless Amended**

San Luis Obispo Council of Governments  
Santa Barbara County Association of Governments  
Stanislaus Council of Governments

**Analysis Prepared by:** Melissa White / TRANS. / (916) 319-2093