

AMENDED IN SENATE APRIL 3, 2017

AMENDED IN SENATE MARCH 30, 2017

AMENDED IN SENATE JANUARY 26, 2017

SENATE BILL

No. 1

Introduced by Senator Beall

(Principal coauthor: Assembly Member Frazier)

(Coauthors: Senators Atkins, Dodd, Hertzberg, Hill, McGuire,

Mendoza, Monning, Skinner, Wieckowski, and Wiener)

(Coauthors: Assembly Members Low, Mullin, and Santiago)

December 5, 2016

An act to amend Section 14526.5 of, to add Sections 14033, 14110, 14526.7, 14556.41, and 16321 to, to add Chapter 5 (commencing with Section 14460) to Part 5 of Division 3 of Title 2 of, to repeal Sections 63048.66, 63048.67, 63048.7, 63048.75, 63048.8, and 63048.85 of, and to repeal and add Section 63048.65 of, the Government Code, to add Section 43021 to the Health and Safety Code, to amend Section 99312.1 of, and to add Sections 99312.3, 99312.4, and 99314.9 to, the Public Utilities Code, to amend Sections 6051.8, 6201.8, 7360, 8352.4, 8352.5, 8352.6, and 60050 of, to add Sections 7361.2, 7653.2, 60050.2, and 60201.4 to, and to add Chapter 6 (commencing with Section 11050) to Part 5 of Division 2 of, the Revenue and Taxation Code, to amend Sections 2104, 2105, 2106, and 2107 of, to add Sections 2103.1 and 2192.4 to, to add Article 2.5 (commencing with Section 800) to Chapter 4 of Division 1 of, and to add Chapter 2 (commencing with Section 2030) and Chapter 8.5 (commencing with Section 2390) to Division 3 of, the Streets and Highways Code, and to amend Section 4156 of, and to add Sections 4000.15 and 9250.6 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 in the motor vehicle fuel (gasoline) tax imposed by the bill with an inflation adjustment, as provided, 50% of a \$0.20 per gallon increase in the diesel excise tax, with an inflation adjustment, as provided, a portion of a new transportation improvement fee imposed under the Vehicle License Fee Law with a varying fee between \$25 and \$175 based on vehicle value and with an inflation adjustment, as provided, and a new \$100 annual vehicle registration fee applicable only to zero-emission vehicles model year 2020 and later, with an inflation adjustment, as provided. The bill would provide that the fuel excise tax increases take effect on November 1, 2017, the transportation improvement fee takes effect on January 1, 2018, and the zero-emission vehicle registration fee takes effect on July 1, 2020.

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 \$100,000,000 of the funds available for the program to be available annually for expenditure, upon appropriation by the Legislature, on the Active Transportation Program. The bill would require \$400,000,000 of the funds available for the program to be available annually for expenditure, upon appropriation by the Legislature, on state highway bridge and culvert maintenance and rehabilitation. The bill would require \$5,000,000 of the funds available for the program that are not restricted by Article XIX of the California Constitution to be appropriated each fiscal year to the California Workforce Development to assist local agencies to implement policies to promote preapprenticeship training programs to carry out specified projects funded by the account. The bill would require \$25,000,000 of the funds available for the program to be annually transferred to the State Highway Account for expenditure on the freeway service patrol program. The bill would require \$25,000,000 of the funds available for the program to be available annually for expenditure, upon appropriation by the Legislature, on local planning grants. The bill would authorize annual appropriations of \$5,000,000 and \$2,000,000 of the funds available for the program to the University of California and the California State University, respectively, for the purpose of conducting transportation research and transportation-related workforce education, training, and development, as specified. 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.

(2) Existing law creates the Department of Transportation within the Transportation Agency.

This bill would create the Independent Office of Audits and Investigations within the department, with specified powers and duties. The bill would provide for the Governor to appoint the director of the office for a 6-year term, subject to confirmation by the Senate, and would provide that the director, who would be known as the 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 with respect to the department and local agencies receiving state and federal transportation funds through the department, 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 up to 100% the dollar value of contracts awarded to small businesses, disadvantaged business enterprises, and disabled veteran business enterprises, as specified.

(3) 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 identify the amount of outstanding loans from certain transportation funds as \$706,000,000. The bill would require the Department of Finance 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 various state and local transportation purposes.

(4) 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.

This bill would deposit the revenues attributable to 50% of the \$0.20 per gallon increase in the diesel fuel excise tax imposed by the bill into the Trade Corridors Enhancement Fund, to be expended on corridor-based freight projects nominated by local agencies and the state.

(5) 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 November 1, 2017, would transfer the gasoline excise tax revenues attributable to boats and off-highway vehicles from the new \$0.12 per gallon increase, and future inflation adjustments from that increase, to the State Parks and Recreation Fund, to be used for state parks, off-highway vehicle programs, and boating programs. The bill would allocate revenues from future inflation adjustments of the existing gasoline excise tax rate attributable to the nonhighway modes pursuant to existing law.

(6) 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, effective July 1, 2019, the annual rate adjustment to maintain revenue neutrality for the gasoline and diesel excise tax rates and would reimpose on that date 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 that becomes effective on November 1, 2017.

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 continuously appropriated to the Transportation Agency for intercity rail and commuter rail purposes. The bill would also allocate a portion of the new transportation improvement fee to the State Transit Assistance Program.

(7) Existing law provides for the state to receive certain compact assets, as defined, from designated tribal compacts relative to Indian gaming, and authorized the compact assets to be sold by the Infrastructure and Economic Development Bank to a special purpose trust in order to generate state revenues. Existing law designated certain of these revenues to be used to repay certain loans of transportation funds that were made to the General Fund.

This bill would delete the references to the special purpose trust and revise payments to various transportation accounts to be made from compact assets. The bill would repeal various other related provisions.

(8) Existing law creates the Traffic Congestion Relief Program and identifies various specific projects eligible to receive funding.

This bill would deem the Traffic Congestion Relief Program to be complete and final as of June 30, 2017, and would provide that projects without approved applications are no longer eligible for funding.

(9) 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 July 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.

(10) Existing law generally provides for transportation capital improvement projects to be nominated and programmed through the state highway operation and protection program, relative to state highway rehabilitation and similar projects, or through the state transportation improvement program, relative to capacity enhancements and other capital projects.

This bill would create the Solutions for Congested Corridors Program, with funding appropriated for the program from a portion of the new transportation improvement fee to be allocated by the California Transportation Commission to projects designed to achieve a balanced set of transportation, environmental, and community access improvements within highly congested travel corridors throughout the state and that are part of a comprehensive corridor plan. The bill would provide for regional transportation agencies and the Department of Transportation to nominate projects, with preference to be given to projects that demonstrate collaboration between the regional agencies and the department.

(11) 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.

This bill would establish the Advance Mitigation Program in the Department of Transportation to enhance communications between the department and stakeholders to, among other things, protect natural resources and accelerate project delivery. The bill would require the department to set aside not less than \$30,000,000 annually for 4 years for the program from capital outlay revenues.

(12) Existing law imposes various limitations on emissions of air contaminants for the control of air pollution from vehicular and nonvehicular sources. Existing law generally designates the State Air Resources Board as the state agency with the primary responsibility for the control of vehicular air pollution.

This bill would prohibit, except as specified, the requiring of the retirement, replacement, retrofit, or repower of a self-propelled commercial motor ~~vehicle, directly or indirectly,~~ vehicle during a specified period. *The bill would require the state board to, by January 1, 2025, evaluate the impact of these provisions on state and local clean air efforts to meet state and local clean air goals, as provided.*

(13) Existing law prohibits a person from driving, moving, or leaving standing upon a highway any motor vehicle, as defined, that has been registered in violation of provisions regulating vehicle emissions.

This bill, effective January 1, 2020, would require the Department of Motor Vehicles to confirm, prior to the initial registration or the transfer of ownership and registration of a diesel-fueled vehicle with a gross vehicle weight rating of more than 14,000 pounds, that the vehicle is compliant with, or exempt from, applicable air pollution control technology requirements, pursuant to specified provisions. The bill would require the department to refuse registration, or renewal or transfer of registration, for certain diesel-fueled vehicles, based on weight and model year, that are subject to specified provisions relating to the reduction of emissions of diesel particulate matter, oxides of nitrogen, and other criteria pollutants from in-use diesel-fueled vehicles. The bill would authorize the department to allow registration, or renewal or transfer of registration, for any diesel-fueled vehicle that has been reported to the State Air Resources Board, and is using an approved exemption, or is compliant with applicable air pollution control technology requirements, pursuant to specified provisions.

Existing law authorizes the department, in its discretion, to issue a temporary permit to operate a vehicle when a payment of fees has been accepted in an amount to be determined by the department and paid to the department by the owner or other person in lawful possession of the vehicle.

This bill would additionally authorize the department to issue a temporary permit to operate a vehicle for which registration is otherwise required to be refused under the provisions of the bill, as prescribed.

(14) The bill would enact other related provisions.

(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.

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

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

22 (f) A funding program will help address a portion of the
23 maintenance backlog on the state's road system and will stop the
24 growth of the problem.

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

4 (h) Improving the condition of the state's road system will have
5 a positive impact on the economy as it lowers the transportation
6 costs of doing business, reduces congestion impacts for employees,
7 and protects property values in the state.

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

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

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

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

18 (1) Ensure these transportation needs are addressed.

19 (2) Fairly distribute the economic impact of increased funding.

20 (3) Restore the gas tax rate previously reduced by the State
21 Board of Equalization pursuant to the gas tax swap.

22 (4) Direct increased revenue to the state's highest transportation
23 needs.

24 (m) This act presents a balance of new revenues and reasonable
25 reforms to ensure efficiency, accountability, and performance from
26 each dollar invested to improve California's transportation system.
27 The revenues designated in this act are intended to address both
28 state and local transportation infrastructure needs as follows:

29 (1) The revenues estimated to be available for allocation under
30 the act to local agencies are estimated over the next 10 years to be
31 as follows:

32 (A) Fifteen billion dollars (\$15,000,000,000) to local street and
33 road maintenance.

34 (B) Seven billion five hundred million dollars (\$7,500,000,000)
35 for transit operations and capital.

36 (C) Two billion dollars (\$2,000,000,000) for the local
37 partnership program.

38 (D) One billion dollars (\$1,000,000,000) for the Active
39 Transportation Program.

1 (E) Eight hundred twenty-five million dollars (\$825,000,000)
2 for the regional share of the State Transportation Improvement
3 Program.

4 (F) Two hundred fifty million dollars (\$250,000,000) for local
5 planning grants.

6 (2) The revenues estimated to be available for allocation under
7 the act to the state are estimated over the next 10 years to be as
8 follows:

9 (A) Fifteen billion dollars (\$15,000,000,000) for state highway
10 maintenance and rehabilitation.

11 (B) Four billion dollars (\$4,000,000,000) for highway bridge
12 and culvert maintenance and rehabilitation.

13 (C) Three billion dollars (\$3,000,000,000) for high priority
14 freight corridors.

15 (D) Two billion five hundred million dollars (\$2,500,000,000)
16 for congested corridor relief.

17 (E) Eight hundred million dollars (\$800,000,000) for parks
18 programs, off-highway vehicle programs, boating programs, and
19 agricultural programs.

20 (F) Two hundred seventy-five million dollars (\$275,000,000)
21 for the interregional share of the State Transportation Improvement
22 Program.

23 (G) Two hundred fifty million dollars (\$250,000,000) for
24 freeway service patrols.

25 (H) Seventy million dollars (\$70,000,000) for transportation
26 research at the University of California and the California State
27 University.

28 (n) It is the intent of the Legislature that the Department of
29 Transportation meet the following preliminary performance
30 outcomes for additional state highway investments by the end of
31 2027, in accordance with applicable state and federal standards:

32 (1) Not less than 98 percent of pavement on the state highway
33 system in good or fair condition.

34 (2) Not less than 90 percent level of service achieved for
35 maintenance of potholes, spalls, and cracks.

36 (3) Not less than 90 percent of culverts in good or fair condition.

37 (4) Not less than 90 percent of the transportation management
38 system units in good condition.

39 (5) Fix not less than an additional 500 bridges.

(o) Further, it is the intent of the Legislature that the Department of Transportation leverage funding provided by this act for trade corridors and other highly congested travel corridors in order to obtain matching funds from federal and other sources to maximize improvements in the state's high-priority freight corridors and in the most congested commute corridors.

(p) Constitutionally protecting the funds raised by this act ensures that these funds are to be used only for transportation purposes necessary to repair roads and bridges, expand the economy, and protect natural resources.

(q) This act advances greenhouse gas reduction objectives and other environmental goals by focusing on "fix-it-first" projects, investments in transit and active transportation, and supporting Senate Bill 375 (Chapter 728, Statutes of 2008) and transportation plans.

SEC. 2. This act shall be known, and may be cited as, the Road Repair and Accountability Act of 2017.

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

14033. On or before January 1, 2018, the department shall update the Highway Design Manual to incorporate the "complete streets" design concept.

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

14110. Consistent with federal and state laws and regulations, including, but not limited to, the department's goal setting methodology as approved by the Federal Highway Administration, the department shall develop a plan by January 1, 2020, to increase by up to 100 percent the dollar value of contracts and procurements awarded to small businesses, disadvantaged business enterprises, and disabled veteran business enterprises. The plan shall include the use of targeted media, including minority and women business enterprises, to outreach to these businesses and shall be provided to the Legislature pursuant to Section 9795.

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

1 CHAPTER 5. DEPARTMENT OF TRANSPORTATION INDEPENDENT
2 OFFICE OF AUDITS AND INVESTIGATIONS
3

4 14460. (a) There is hereby created in the department the
5 Independent Office of Audits and Investigations to ensure all of
6 the following:

7 (1) The department, and external entities that receive state and
8 federal transportation funds from the department, are spending
9 those funds efficiently, effectively, economically, and in
10 compliance with applicable state and federal requirements. Those
11 external entities include, but are not limited to, private for profit
12 and nonprofit organizations, local transportation agencies, and
13 other local agencies that receive transportation funds either through
14 a contract with the department or through an agreement or grant
15 administered by the department.

16 (2) The department's programs are functioning consistent with
17 applicable accounting standards and practices and are administered
18 effectively, efficiently, and economically.

19 (3) The department's management is accomplishing
20 departmental priorities, developing an annual audit plan,
21 administering an effective enterprise risk management program,
22 and is making efficient, effective, and financially responsible
23 transportation decisions.

24 (4) The Secretary of Transportation, the Legislature, the
25 California Transportation Commission, and the director and chief
26 deputy director of the department are fully informed concerning
27 fraud, improper activities, or other serious abuses or deficiencies
28 relating to the expenditure of transportation funds or administration
29 of department programs and operations.

30 (b) The Governor shall appoint the director of the Audits and
31 Investigations Office, who shall serve a six-year term, have the
32 title of Inspector General, and be subject to Senate confirmation.
33 The Inspector General may not be removed from office during
34 that term, except for good cause. The reasons for removal of the
35 Inspector General shall be stated in writing and shall include the
36 basis for removal. The writing shall be sent to the Secretary of the
37 Senate and the Chief Clerk of the Assembly at the time of the
38 removal and shall be deemed to be a public document.

39 (c) The Inspector General is vested with the full authority to
40 exercise all responsibility for maintaining a full scope, independent,

1 and objective audit and investigation program as prescribed by
2 Sections 1237, 13885, 13886.5, 13887.5, and 13888, including,
3 but not limited to, those activities described in Section 14461.

4 (d) Notwithstanding Section 13887, in order to achieve
5 independence and objectivity pursuant to this section, the
6 Independent Office of Audits and Investigation shall meet all of
7 the following requirements:

8 (1) The Inspector General shall report all audit and confidential
9 investigation findings and recommendations made under his or
10 her jurisdiction to the Secretary of Transportation and the director
11 and chief deputy director of the department on an ongoing and
12 current basis.

13 (2) The Inspector General shall report at least annually, or upon
14 request, to the Governor, the Legislature, and the California
15 Transportation Commission with a summary of his or her
16 investigation and audit findings and recommendations. The
17 summary shall be posted on the office's Internet Web site and shall
18 otherwise be made available to the public upon its release to the
19 Governor, commission, and Legislature. The summary shall
20 include, but need not be limited to, significant problems discovered
21 by the Inspector General and whether the Inspector General's
22 recommendations relative to audits and investigations have been
23 implemented by the affected units and programs of the department
24 or affected external entities. The report shall be submitted to the
25 Legislature in compliance with Section 9795.

26 14461. The Inspector General shall review policies, practices,
27 and procedures and conduct audits and investigations of activities
28 involving state transportation funds administered by the department
29 in consultation with all affected units and programs of the
30 department and external entities.

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

33 14526.5. (a) Based on the asset management plan prepared
34 and approved pursuant to Section 14526.4, the department shall
35 prepare a state highway operation and protection program for the
36 expenditure of transportation funds for major capital improvements
37 that are necessary to preserve and protect the state highway system.
38 Projects included in the program shall be limited to improvements
39 relative to the maintenance, safety, operation, and rehabilitation

1 of state highways and bridges that do not add a new traffic lane to
2 the system.

3 (b) The program shall include projects that are expected to be
4 advertised prior to July 1 of the year following submission of the
5 program, but which have not yet been funded. The program shall
6 include those projects for which construction is to begin within
7 four fiscal years, starting July 1 of the year following the year the
8 program is submitted.

9 (c) (1) The department, at a minimum, shall specify, for each
10 project in the state highway operation and protection program, the
11 capital and support budget, as applicable, for each of the following
12 project phases:

13 (A) Project approval and environmental documents, support
14 only.

15 (B) Plans, specifications, and estimates, support only.

16 (C) Rights-of-way.

17 (D) Construction.

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

21 (A) Project approval and environmental document completion.

22 (B) Plans, specifications, and estimates completion.

23 (C) Right-of-way certification.

24 (D) Start of construction.

25 (d) The department shall submit its proposed program to the
26 commission not later than January 31 of each even-numbered year.
27 Prior to submitting its proposed program, the department shall
28 make a draft of its proposed program available to transportation
29 planning agencies for review and comment and shall include the
30 comments in its submittal to the commission. The department shall
31 provide the commission with detailed information for all
32 programmed projects on cost, scope, schedule, and performance
33 metrics as determined by the commission.

34 (e) The commission shall review the proposed program relative
35 to its overall adequacy, consistency with the asset management
36 plan prepared and approved pursuant to Section 14526.4 and
37 funding priorities established in Section 167 of the Streets and
38 Highways Code, the level of annual funding needed to implement
39 the program, and the impact of those expenditures on the state
40 transportation improvement program. The commission shall adopt

1 the program and submit it to the Legislature and the Governor not
2 later than April 1 of each even-numbered year. The commission
3 may decline to adopt the program if the commission determines
4 that the program is not sufficiently consistent with the asset
5 management plan prepared and approved pursuant to Section
6 14526.4.

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

11 (g) On or after July 1, 2017, to provide sufficient and transparent
12 oversight of the department's capital outlay support resources
13 composed of both state staff and contractors, the commission shall
14 be required to allocate the department's capital outlay support
15 resources by project phase, including preconstruction. Through
16 this action, the commission will provide public transparency for
17 the department's budget estimates, increasing assurance that the
18 annual budget forecast is reasonable. The commission shall develop
19 guidelines, in consultation with the department, to implement this
20 subdivision. Guidelines adopted by the commission to implement
21 this subdivision shall be exempt from the Administrative Procedure
22 Act (Chapter 3.5 (commencing with Section 11340) of Part 1).

23 (h) Beginning July 1, 2017, for a project that experiences
24 increases in capital or support costs above the amounts in the
25 commission's allocation pursuant to subdivision (g), the
26 commission shall establish a threshold for requiring a supplemental
27 project allocation. The commission's guidelines adopted pursuant
28 to subdivision (g) shall also establish the threshold that the
29 commission determines is necessary to ensure efficiency and may
30 provide exceptions as necessary so that projects are not
31 unnecessarily delayed.

32 (i) The department, for each project requiring a supplemental
33 project allocation pursuant to subdivision (h), shall submit a request
34 to the commission for its approval.

35 (j) Expenditures for these projects shall not be subject to
36 Sections 188 and 188.8 of the Streets and Highways Code.

37 SEC. 7. Section 14526.7 is added to the Government Code, to
38 read:

39 14526.7. (a) The department shall incorporate the performance
40 targets in subdivision (n) of Section 1 of the act adding this section

1 into the asset management plan adopted by the commission and
2 targets adopted by the commission pursuant to Sections 14526.4
3 and 14526.5. The asset management plan shall also include targets
4 adopted by the commission in consultation with the department
5 for each asset class included in subdivision (n) of Section 1 of the
6 act adding this section to measure the degree to which progress
7 was made towards achieving the overall 2027 targets. Targets may
8 be modified by the commission as needed to conform to federal
9 regulation on performance measures and the completion of the
10 department's asset management plan. Nothing in this section
11 precludes the commission from adopting additional targets and
12 performance measures pursuant to paragraph (1) of subdivision
13 (c) of Section 14526.4.

14 (b) As specified by guidelines adopted by the commission, the
15 department shall report to the commission on its progress toward
16 meeting the targets and performance measures established for state
17 highways pursuant to subdivision (n) of Section 1 of the act adding
18 this section and paragraph (1) of subdivision (c) of Section 14526.4.

19 SEC. 8. Section 14556.41 is added to the Government Code,
20 to read:

21 14556.41. As of June 30, 2017, projects in Section 14556.40
22 for the Traffic Congestion Relief Program shall be deemed
23 complete and final, and funding levels shall be based on actual
24 amounts requested by the designated lead applicant pursuant to
25 Section 14556.12. Projects without approved applications in
26 accordance with Section 14556.12 shall no longer be eligible for
27 program funding. Traffic Congestion Relief Program savings shall
28 be transferred to other transportation accounts for the purposes
29 specified in Section 16321.

30 SEC. 9. Section 16321 is added to the Government Code, to
31 read:

32 16321. The amount of outstanding loans made pursuant to
33 Section 14556.8 is seven hundred six million dollars
34 (\$706,000,000). This amount shall be repaid from the General
35 Fund pursuant to subdivision (c) of Section 20 of Article XVI of
36 the California Constitution no later than June 30, 2020, and upon
37 repayment of this amount all loans authorized pursuant to Section
38 14556.8 and any associated interest shall be deemed repaid. The
39 loans shall be repaid proportionately and in equal installments over
40 three years. The Department of Finance shall prepare a loan

1 repayment schedule, pursuant to which the outstanding loans shall
2 be repaid by June 30, 2020, as follows:

3 (a) Two hundred fifty-six million dollars (\$256,000,000) for
4 transfer to the Public Transportation Account, to be allocated as
5 follows:

6 (1) Up to twenty million dollars (\$20,000,000) to local and
7 regional agencies for climate change adaptation planning.

8 (2) The remainder to the Transit and Intercity Rail Capital
9 Program as authorized in Part 2 (commencing with Section 75220)
10 of Division 44 of the Public Resources Code.

11 (b) Two hundred twenty-five million dollars (\$225,000,000)
12 for transfer to the State Highway Account, for the State Highway
13 Operation and Protection Program.

14 (c) Two hundred twenty-five million dollars (\$225,000,000) is
15 hereby continuously appropriated without regard to fiscal year to
16 the Controller for apportionment to cities and counties for local
17 streets and roads pursuant to the formula in paragraph (3) of
18 subdivision (a) of Section 2103 of the Streets and Highways Code.

19 SEC. 10. Section 63048.65 of the Government Code is
20 repealed.

21 SEC. 11. Section 63048.65 is added to the Government Code,
22 to read:

23 63048.65. (a) Prior to July 1, 2015, three hundred twenty-one
24 million dollars (\$321,000,000) of the one billion two hundred
25 million dollars (\$1,200,000,000) of loans from the Traffic
26 Congestion Relief Fund to the General Fund was repaid using
27 tribal gaming compact revenues. In 2016, an additional one
28 hundred seventy-three million dollars (\$173,000,000) was repaid
29 from the General Fund.

30 (b) The remaining seven hundred six million dollars
31 (\$706,000,000) of loans from the Traffic Congestion Relief Fund
32 to the General Fund shall be repaid pursuant to Section 14556.8.

33 SEC. 12. Section 63048.66 of the Government Code is
34 repealed.

35 SEC. 13. Section 63048.67 of the Government Code is
36 repealed.

37 SEC. 14. Section 63048.7 of the Government Code is repealed.

38 SEC. 15. Section 63048.75 of the Government Code is
39 repealed.

40 SEC. 16. Section 63048.8 of the Government Code is repealed.

1 SEC. 17. Section 63048.85 of the Government Code is
2 repealed.

3 SEC. 18. Section 43021 is added to the Health and Safety Code,
4 to read:

5 43021. (a) Except as provided in subdivision (b), the
6 retirement, replacement, retrofit, or repower of a self-propelled
7 commercial motor vehicle, as defined in Section 34601 of the
8 Vehicle Code, shall not be ~~required, directly or indirectly, required~~
9 until the later of the following:

10 (1) Thirteen years from the model year the engine and emission
11 control system are first certified for use in self-propelled
12 commercial motor vehicles by the state board or other applicable
13 state and federal agencies.

14 (2) When the vehicle reaches the earlier of either 800,000
15 vehicle miles traveled or 18 years from the model year the engine
16 and emission control system are first certified for use in
17 self-propelled commercial motor vehicles by the state board or
18 other applicable state and federal agencies.

19 (b) This section does not apply to any of the following:

20 (1) Safety programs, including, but not limited to, those adopted
21 pursuant to Section 34501 of the Vehicle Code.

22 (2) Voluntary incentive and grant programs, including, but not
23 limited to, those that give preferential access to a facility to a
24 particular vehicle or class of vehicles.

25 (3) Programs designed to address inspection of, tampering with,
26 and maintenance of, emission control systems.

27 (4) Programs designed to address imminent health risks where
28 evidence, unavailable at the time equipment is certified for use by
29 the state board or other applicable state and federal agencies, is
30 sufficient to show that immediate corrective action is necessary
31 to prevent injury, illness, or death.

32 (c) This section only applies to laws or regulations adopted or
33 amended after January 1, 2017.

34 (d) *It is the intent of the Legislature for this section to provide*
35 *owners of self-propelled commercial motor vehicles, as defined*
36 *in subdivision (a), certainty about the useful life of engines certified*
37 *by the state board and other applicable agencies to meet required*
38 *environmental standards for sale in the state. This section is not*
39 *meant to otherwise restrict the authority of the state board or*
40 *districts.*

1 (e) (1) *The state board shall, by January 1, 2025, evaluate the*
2 *impact of the provisions of this section on state and local clean*
3 *air efforts to meet state and local clean air goals. The evaluation*
4 *shall include a review of the following:*

5 (A) *Compliance with the truck and bus rule (Section 2025 of*
6 *Title 13 of the California Code of Regulations).*

7 (B) *The benefits and impacts of measures enacted to improve*
8 *local air quality impacts from stationary sources.*

9 (C) *State implementation plan compliance.*

10 (2) *As part of the study, the state board shall make*
11 *recommendations to the Legislature on additional or different*
12 *mechanisms for achieving those goals while recognizing the*
13 *financial investments made by the effected entities. In developing*
14 *the study, the state board shall take into account the report*
15 *required in Section 38531 of the Health and Safety Code.*

16 (3) *The state board shall hold at least one public workshop*
17 *prior to the completion of the study.*

18 SEC. 19. Section 99312.1 of the Public Utilities Code is
19 amended to read:

20 99312.1. (a) Revenues transferred to the Public Transportation
21 Account pursuant to Sections 6051.8 and 6201.8 of the Revenue
22 and Taxation Code for the State Transit Assistance Program are
23 hereby continuously appropriated to the Controller for allocation
24 as follows:

25 (1) Fifty percent for allocation to transportation planning
26 agencies, county transportation commissions, and the San Diego
27 Metropolitan Transit Development Board pursuant to Section
28 99314.

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

32 (b) For purposes of this chapter, the revenues allocated pursuant
33 to this section shall be subject to the same requirements as revenues
34 allocated pursuant to subdivisions (b) and (c), as applicable, of
35 Section 99312.

36 (c) The revenues transferred to the Public Transportation
37 Account for the State Transit Assistance Program that are
38 attributable to subdivision (a) of Section 11053 of the Revenue
39 and Taxation Code are hereby continuously appropriated to the

1 Controller, and, upon allocation pursuant to Sections 99313 and
2 99314, shall only be expended on the following:

3 (1) Transit capital projects or services to maintain or repair a
4 transit operator's existing transit vehicle fleet or existing transit
5 facilities, including rehabilitation or modernization of existing
6 vehicles or facilities.

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

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

11 (d) (1) Prior to receiving an apportionment of funds pursuant
12 to subdivision (c) from the Controller in a fiscal year, a recipient
13 transit agency shall submit to the Department of Transportation a
14 list of projects proposed to be funded with these funds. The list of
15 projects proposed to be funded with these funds shall include a
16 description and location of each proposed project, a proposed
17 schedule for the project's completion, and the estimated useful life
18 of the improvement. The project list shall not limit the flexibility
19 of a recipient transit agency to fund projects in accordance with
20 local needs and priorities so long as the projects are consistent
21 with subdivision (c).

22 (2) The department shall report to the Controller the recipient
23 transit agencies that have submitted a list of projects as described
24 in this subdivision and that are therefore eligible to receive an
25 apportionment of funds for the applicable fiscal year. The
26 Controller, upon receipt of the report, shall apportion funds
27 pursuant to Sections 99313 and 99314.

28 (e) For each fiscal year, each recipient transit agency receiving
29 an apportionment of funds pursuant to subdivision (c) shall, upon
30 expending those funds, submit documentation to the department
31 that includes a description and location of each completed project,
32 the amount of funds expended on the project, the completion date,
33 and the estimated useful life of the improvement.

34 (f) The audit of transit operator finances required pursuant to
35 Section 99245 shall verify that the revenues identified in
36 subdivision (c) have been expended in conformance with these
37 specific requirements and all other generally applicable
38 requirements.

39 SEC. 20. Section 99312.3 is added to the Public Utilities Code,
40 to read:

1 99312.3. Revenues transferred to the Public Transportation
2 Account pursuant to paragraph (2) of subdivision (c) of Section
3 6051.8 and paragraph (2) of subdivision (c) of Section 6201.8 of
4 the Revenue and Taxation Code are hereby continuously
5 appropriated to the Transportation Agency for distribution in the
6 following manner:

7 (a) (1) Fifty percent of available annual revenues under this
8 section shall be allocated by the Transportation Agency to the
9 public agencies, including joint powers agencies, responsible for
10 state-supported intercity rail services. A minimum of 25 percent
11 of the funds available under this subdivision shall be allocated to
12 each of the state's three intercity rail corridors that provide
13 regularly scheduled intercity rail service.

14 (2) The Transportation Agency shall adopt guidelines governing
15 the administration of the funds available under this subdivision,
16 including provisions providing authority for loans of these funds
17 by mutual agreement between intercity rail service corridors.

18 (b) (1) Fifty percent of available annual revenues under this
19 section shall be allocated by the Transportation Agency to the
20 public agencies, including joint powers agencies, responsible for
21 commuter rail services. For the 2018–19 and 2019–20 fiscal years,
22 20 percent of the funds available under this subdivision shall be
23 allocated to each of the state's five commuter rail service providers
24 that provide regularly scheduled commuter rail service.
25 Commencing July 1, 2020, the funds available under this
26 subdivision shall be allocated based on guidelines and a distribution
27 formula adopted by the Transportation Agency.

28 (2) On or before July 1, 2019, the Transportation Agency shall
29 prepare a draft of the proposed guidelines and distribution formula
30 and make them available for public comment. In preparing the
31 proposed guidelines and distribution formula, the agency shall
32 consult with the state's five commuter rail service providers. The
33 final guidelines and distribution formula shall be adopted on or
34 before January 1, 2020. The guidelines shall include, but need not
35 be limited to, provisions providing authority for loans of these
36 funds by mutual agreement between commuter rail service
37 providers and providing for baseline allocations to each provider.

38 (c) The funds made available by this section may be used for
39 operations and capital improvements.

1 SEC. 21. Section 99312.4 is added to the Public Utilities Code,
2 to read:

3 99312.4. Revenues transferred to the Public Transportation
4 Account pursuant to subdivision (a) of Section 11053 of the
5 Revenue and Taxation Code for the Transit and Intercity Rail
6 Capital Program (Part 2 (commencing with Section 75220) of
7 Division 44 of the Public Resources Code) shall be available for
8 appropriation to that program pursuant to the annual Budget Act.

9 SEC. 22. Section 99314.9 is added to the Public Utilities Code,
10 to read:

11 99314.9. The Controller shall compute quarterly proposed
12 allocations for State Transit Assistance Program funds available
13 for allocation pursuant to Sections 99313 and 99314. The
14 Controller shall publish the allocations for each eligible recipient
15 agency, including one list applicable to revenues allocated pursuant
16 to subdivision (c) of Section 99312.1 and another list for revenues
17 allocated from all other revenues in the Public Transportation
18 Account that are designated for the State Transit Assistance
19 Program.

20 SEC. 23. Section 6051.8 of the Revenue and Taxation Code
21 is amended to read:

22 6051.8. (a) Except as provided by Section 6357.3, in addition
23 to the taxes imposed by this part, for the privilege of selling
24 tangible personal property at retail a tax is hereby imposed upon
25 all retailers at the rate of 1.75 percent of the gross receipts of any
26 retailer from the sale of all diesel fuel, as defined in Section 60022.

27 (b) Except as provided by Section 6357.3, in addition to the
28 taxes imposed by this part and by subdivision (a), commencing
29 November 1, 2017, for the privilege of selling tangible personal
30 property at retail a tax is hereby imposed upon all retailers at the
31 rate of 4 percent of the gross receipts of any retailer from the sale
32 of all diesel fuel, as defined in Section 60022, sold at retail in this
33 state.

34 (c) (1) Notwithstanding subdivision (b) of Section 7102, except
35 as otherwise provided in paragraph (2), all of the revenues, less
36 refunds, collected pursuant to this section shall be estimated by
37 the State Board of Equalization, with the concurrence of the
38 Department of Finance, and transferred quarterly to the Public
39 Transportation Account in the State Transportation Fund for

1 allocation under the State Transit Assistance Program pursuant to
2 Section 99312.1 of the Public Utilities Code.

3 (2) The revenues, less refunds, attributable to a rate of 0.5
4 percent of the 4-percent increase in the rate pursuant to subdivision
5 (b), amounting to one-eighth of revenues from the increase in the
6 rate under that subdivision, shall be estimated by the State Board
7 of Equalization, with the concurrence of the Department of Finance,
8 and transferred quarterly to the Public Transportation Account in
9 the State Transportation Fund for allocation by the Transportation
10 Agency to intercity rail and commuter rail purposes pursuant to
11 Section 99312.3 of the Public Utilities Code.

12 SEC. 24. Section 6201.8 of the Revenue and Taxation Code
13 is amended to read:

14 6201.8. (a) Except as provided by Section 6357.3, in addition
15 to the taxes imposed by this part, an excise tax is hereby imposed
16 on the storage, use, or other consumption in this state of diesel
17 fuel, as defined in Section 60022, at the rate of 1.75 percent of the
18 sales price of the diesel fuel.

19 (b) Except as provided by Section 6357.3, in addition to the
20 taxes imposed by this part and by subdivision (a), commencing
21 November 1, 2017, an excise tax is hereby imposed on the storage,
22 use, or other consumption in this state of diesel fuel, as defined in
23 Section 60022, at the rate of 4 percent of the sales price of the
24 diesel fuel.

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

32 (2) The revenues, less refunds, attributable to a rate of 0.5
33 percent of the 4-percent increase in the rate pursuant to subdivision
34 (b), amounting to one-eighth of revenues from the increase in the
35 rate under that subdivision, shall be estimated by the State Board
36 of Equalization, with the concurrence of the Department of Finance,
37 and transferred quarterly to the Public Transportation Account in
38 the State Transportation Fund for allocation by the Transportation
39 Agency to intercity rail and commuter rail purposes pursuant to
40 Section 99312.3 of the Public Utilities Code.

1 SEC. 25. Section 7360 of the Revenue and Taxation Code is
2 amended to read:

3 7360. (a) (1) A tax of eighteen cents (\$0.18) is hereby imposed
4 upon each gallon of fuel subject to the tax in Sections 7362, 7363,
5 and 7364.

6 (2) If the federal fuel tax is reduced below the rate of nine cents
7 (\$0.09) per gallon and federal financial allocations to this state for
8 highway and exclusive public mass transit guideway purposes are
9 reduced or eliminated correspondingly, the tax rate imposed by
10 paragraph (1), on and after the date of the reduction, shall be
11 recalculated by an amount so that the combined state rate under
12 paragraph (1) and the federal tax rate per gallon equal twenty-seven
13 cents (\$0.27).

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

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

22 (2) For the 2011–12 fiscal year and each fiscal year thereafter,
23 the board shall, on or before March 1 of the fiscal year immediately
24 preceding the applicable fiscal year, adjust the rate in paragraph
25 (1) in that manner as to generate an amount of revenue that will
26 equal the amount of revenue loss attributable to the exemption
27 provided by Section 6357.7, based on estimates made by the board,
28 and that rate shall be effective during the state's next fiscal year.

29 (3) In order to maintain revenue neutrality for each year,
30 beginning with the rate adjustment on or before March 1, 2012,
31 the adjustment under paragraph (2) shall also take into account the
32 extent to which the actual amount of revenues derived pursuant to
33 this subdivision and, as applicable, Section 7361.1, the revenue
34 loss attributable to the exemption provided by Section 6357.7
35 resulted in a net revenue gain or loss for the fiscal year ending
36 prior to the rate adjustment date on or before March 1.

37 (4) The intent of paragraphs (2) and (3) is to ensure that the act
38 adding this subdivision and Section 6357.7 does not produce a net
39 revenue gain in state taxes.

(5) Commencing July 1, 2019, the adjustments in paragraphs (2) and (3) shall cease, and the rate imposed by this subdivision shall be the rate in paragraph (1).

(c) On and after November 1, 2017, in addition to the taxes imposed by subdivisions (a) and (b), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364, in an amount equal to twelve cents (\$0.12) per gallon.

(d) On July 1, 2020, and every July 1 thereafter, the board shall adjust the taxes imposed by subdivisions (a), (b), and (c), with the adjustment to apply to both to the base tax rates specified in those provisions and to any previous adjustment in rates made pursuant to this subdivision, by increasing the taxes by a percentage amount equal to the increase in the California Consumer Price Index, as calculated by the Department of Finance with the resulting taxes rounded to the nearest one-tenth of one cent (\$0.01). The first adjustment pursuant to this subdivision shall be a percentage amount equal to the increase in the California Consumer Price Index from November 1, 2017, to November 1, 2019. Subsequent annual adjustments shall cover subsequent 12 month periods. The incremental change shall be added to the associated rate for that year.

(e) Any increases to the taxes imposed under subdivisions (a), (b), and (c) that are enacted by legislation subsequent to July 1, 2017, shall be deemed to be changes to the base tax rates for purposes of the California Consumer Price Index calculation and adjustment performed pursuant to subdivision (d).

SEC. 26. Section 7361.2 is added to the Revenue and Taxation Code, to read:

7361.2. (a) For the privilege of storing, for the purpose of sale, each supplier, wholesaler, and retailer owning 1,000 or more gallons of tax-paid motor vehicle fuel on November 1, 2017, shall pay a storage tax, the rate of which shall be determined by the board pursuant to the difference in the rate of the tax on motor vehicle fuel in effect on October 31, 2017, and the rate in effect on November 1, 2017, on tax-paid motor vehicle fuel in storage according to the volumetric measure thereof.

(b) For purposes of this section:

(1) "Owning" means having title to the motor vehicle fuel.

1 (2) “Retailer” means any person who sells motor vehicle fuel
2 in this state to a person who subsequently uses the motor vehicle
3 fuel.

4 (3) “Storing” includes the ownership or possession of tax-paid
5 motor vehicle fuel outside of the bulk transfer/terminal system,
6 including the holding of tax-paid motor vehicle fuel for sale at
7 wholesale or retail locations stored in a container of any kind,
8 including railroad tank cars and trucks or trailer cargo tanks.
9 “Storing” also includes tax-paid motor vehicle fuel purchased from
10 and invoiced by the seller, and tax-paid motor vehicle fuel removed
11 from a terminal or entered into by a supplier, prior to the date
12 specified in subdivision (a) and in transit on that date.

13 (4) “Wholesaler” means any person who sells diesel fuel in this
14 state for resale to a retailer or to a person who is not a retailer and
15 subsequently uses the motor vehicle fuel.

16 SEC. 27. Section 7653.2 is added to the Revenue and Taxation
17 Code, to read:

18 7653.2. On or before January 1, 2018, each person subject to
19 the storage tax imposed under Section 7361.2 shall prepare and
20 file with the board, in a form prescribed by the board, a return
21 showing the total number of gallons of tax-paid motor vehicle fuel
22 owned by the person on November 1, 2017, the amount of the
23 storage tax, and any other information that the board deems
24 necessary for the proper administration of this part. The return
25 shall be accompanied by a remittance payable to the board in the
26 amount of tax due.

27 SEC. 28. Section 8352.4 of the Revenue and Taxation Code
28 is amended to read:

29 8352.4. (a) Subject to Sections 8352 and 8352.1, and except
30 as otherwise provided in subdivision (b), there shall be transferred
31 from the money deposited to the credit of the Motor Vehicle Fuel
32 Account to the Harbors and Watercraft Revolving Fund, for
33 expenditure in accordance with Division 1 (commencing with
34 Section 30) of the Harbors and Navigation Code, the sum of six
35 million six hundred thousand dollars (\$6,600,000) per annum,
36 representing the amount of money in the Motor Vehicle Fuel
37 Account attributable to taxes imposed on distributions of motor
38 vehicle fuel used or usable in propelling vessels. The actual amount
39 shall be calculated using the annual reports of registered boats
40 prepared by the Department of Motor Vehicles for the United

1 States Coast Guard and the formula and method of the December
2 1972 report prepared for this purpose and submitted to the
3 Legislature on December 26, 1972, by the Director of
4 Transportation. If the amount transferred during each fiscal year
5 is in excess of the calculated amount, the excess shall be
6 retransferred from the Harbors and Watercraft Revolving Fund to
7 the Motor Vehicle Fuel Account. If the amount transferred is less
8 than the amount calculated, the difference shall be transferred from
9 the Motor Vehicle Fuel Account to the Harbors and Watercraft
10 Revolving Fund. No adjustment shall be made if the computed
11 difference is less than fifty thousand dollars (\$50,000), and the
12 amount shall be adjusted to reflect any temporary or permanent
13 increase or decrease that may be made in the rate under the Motor
14 Vehicle Fuel Tax Law. Payments pursuant to this section shall be
15 made prior to payments pursuant to Section 8352.2.

16 (b) (1) Commencing July 1, 2012, the revenues attributable to
17 the taxes imposed pursuant to subdivision (b) of Section 7360 and
18 otherwise to be deposited in the Harbors and Watercraft Revolving
19 Fund pursuant to subdivision (a) shall instead be transferred to the
20 General Fund.

21 (2) Commencing November 1, 2017, the revenues attributable
22 to the taxes imposed pursuant to subdivision (c) of Section 7360,
23 any adjustment pursuant to subdivision (d) of Section 7360, and
24 Section 7361.2, and otherwise to be deposited in the Harbors and
25 Watercraft Revolving Fund pursuant to subdivision (a), shall
26 instead be transferred to the State Parks and Recreation Fund to
27 be used for state parks, off-highway vehicle programs, or boating
28 programs.

29 SEC. 29. Section 8352.5 of the Revenue and Taxation Code
30 is amended to read:

31 8352.5. (a) (1) Subject to Sections 8352 and 8352.1, and
32 except as otherwise provided in paragraph (1) of subdivision (b),
33 there shall be transferred from the money deposited to the credit
34 of the Motor Vehicle Fuel Account to the Department of Food and
35 Agriculture Fund, during the second quarter of each fiscal year,
36 an amount equal to the estimate contained in the most recent report
37 prepared pursuant to this section.

38 (2) The amounts are not subject to Section 6357 with respect
39 to the collection of sales and use taxes thereon, and represent the
40 portion of receipts in the Motor Vehicle Fuel Account during a

1 calendar year that were attributable to agricultural off-highway
2 use of motor vehicle fuel which is subject to refund pursuant to
3 Section 8101, less gross refunds allowed by the Controller during
4 the fiscal year ending June 30 following the calendar year to
5 persons entitled to refunds for agricultural off-highway use
6 pursuant to Section 8101. Payments pursuant to this section shall
7 be made prior to payments pursuant to Section 8352.2.

8 (b) (1) Commencing July 1, 2012, the revenues attributable to
9 the taxes imposed pursuant to subdivision (b) of Section 7360 and
10 otherwise to be deposited in the Department of Food and
11 Agriculture Fund pursuant to subdivision (a) shall instead be
12 transferred to the General Fund.

13 (2) Commencing November 1, 2017, the revenues attributable
14 to the taxes imposed pursuant to subdivision (c) of Section 7360,
15 as adjusted pursuant to subdivision (d) of Section 7360, and Section
16 7361.2 shall be deposited in the Department of Food and
17 Agriculture Fund.

18 (c) On or before September 30, 2012, and on or before
19 September 30 of each even-numbered year thereafter, the Director
20 of Transportation and the Director of Food and Agriculture shall
21 jointly prepare, or cause to be prepared, a report setting forth the
22 current estimate of the amount of money in the Motor Vehicle
23 Fuel Account attributable to agricultural off-highway use of motor
24 vehicle fuel, which is subject to refund pursuant to Section 8101
25 less gross refunds allowed by the Controller to persons entitled to
26 refunds for agricultural off-highway use pursuant to Section 8101;
27 and they shall submit a copy of the report to the Legislature.

28 SEC. 30. Section 8352.6 of the Revenue and Taxation Code
29 is amended to read:

30 8352.6. (a) (1) Subject to Section 8352.1, and except as
31 otherwise provided in paragraphs (2) and (3), on the first day of
32 every month, there shall be transferred from moneys deposited to
33 the credit of the Motor Vehicle Fuel Account to the Off-Highway
34 Vehicle Trust Fund created by Section 38225 of the Vehicle Code
35 an amount attributable to taxes imposed upon distributions of motor
36 vehicle fuel used in the operation of motor vehicles off highway
37 and for which a refund has not been claimed. Transfers made
38 pursuant to this section shall be made prior to transfers pursuant
39 to Section 8352.2.

1 (2) (A) Commencing July 1, 2012, the revenues attributable to
2 the taxes imposed pursuant to subdivision (b) of Section 7360 and
3 otherwise to be deposited in the Off-Highway Vehicle Trust Fund
4 pursuant to paragraph (1) shall instead be transferred to the General
5 Fund.

6 (B) Commencing November 1, 2017, the revenues attributable
7 to the taxes imposed pursuant to subdivision (c) of Section 7360,
8 any adjustment pursuant to subdivision (d) of Section 7360, and
9 Section 7361.2, and otherwise to be deposited in the Off-Highway
10 Vehicle Trust Fund pursuant to subdivision (a), shall instead be
11 transferred to the State Parks and Recreation Fund to be used for
12 state parks, off-highway vehicle programs, or boating programs.

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

17 (b) The amount transferred to the Off-Highway Vehicle Trust
18 Fund pursuant to paragraph (1) of subdivision (a), as a percentage
19 of the Motor Vehicle Fuel Account, shall be equal to the percentage
20 transferred in the 2006–07 fiscal year. Every five years, starting
21 in the 2013–14 fiscal year, the percentage transferred may be
22 adjusted by the Department of Transportation in cooperation with
23 the Department of Parks and Recreation and the Department of
24 Motor Vehicles. Adjustments shall be based on, but not limited
25 to, the changes in the following factors since the 2006–07 fiscal
26 year or the last adjustment, whichever is more recent:

27 (1) The number of vehicles registered as off-highway motor
28 vehicles as required by Division 16.5 (commencing with Section
29 38000) of the Vehicle Code.

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

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

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

38 (c) It is the intent of the Legislature that transfers from the Motor
39 Vehicle Fuel Account to the Off-Highway Vehicle Trust Fund
40 should reflect the full range of motorized vehicle use off highway

for both motorized recreation and motorized off-road access to other recreation opportunities. Therefore, the Legislature finds that the fuel tax baseline established in subdivision (b), attributable to off-highway estimates of use as of the 2006–07 fiscal year, accounts for the three categories of vehicles that have been found over the years to be users of fuel for off-highway motorized recreation or motorized access to nonmotorized recreational pursuits. These three categories are registered off-highway motorized vehicles, registered street-legal motorized vehicles used off highway, and unregistered off-highway motorized vehicles.

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

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

SEC. 31. Chapter 6 (commencing with Section 11050) is added to Part 5 of Division 2 of the Revenue and Taxation Code, to read:

CHAPTER 6. TRANSPORTATION IMPROVEMENT FEE

11050. For purposes of this chapter, the following terms have the following meanings:

(a) “Transportation purposes” means both of the following:

(1) The research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for nonmotorized traffic), including the mitigation of their environmental effects, the payment for

1 property taken or damaged for the foregoing purposes, and the
2 administrative costs necessarily incurred in the foregoing purposes.

3 (2) The research, planning, construction, improvement,
4 maintenance, and operation of public transportation systems (and
5 their related equipment and fixed facilities), including the
6 mitigation of their environmental effects, the payment for property
7 taken or damaged for the foregoing purposes, and the
8 administrative costs necessarily incurred in the foregoing purposes.

9 (b) “Transportation improvement fee” means a supplemental
10 charge added to the fee imposed pursuant to Chapter 2
11 (commencing with Section 10751).

12 (c) “Vehicle” means every vehicle that is subject to the fee in
13 Chapter 2 (commencing with Section 10751), except the following:

14 (1) A commercial vehicle with an unladen weight of more than
15 10,000 pounds.

16 (2) A vehicle exempted pursuant to the Vehicle Code from the
17 payment of registration fees.

18 (3) A vehicle for which a certificate of nonoperation has been
19 filed with the Department of Motor Vehicles pursuant to Section
20 4604 of the Vehicle Code, during the period of time covered by
21 the certificate.

22 (4) A vehicle described in Section 5004 of the Vehicle Code.

23 11051. (a) In addition to any other fee imposed on a vehicle
24 by this code or the Vehicle Code, a transportation improvement
25 fee is hereby imposed on each vehicle as defined in subdivision
26 (b) of Section 11050 effective on January 1, 2018, or as soon after
27 that date as the department is able to commence collection of the
28 fee. The transportation improvement fee shall be in the amounts
29 specified in Section 11052.

30 (b) The department shall collect the fee at the same time and in
31 the same manner as the department collects the vehicle registration
32 fee pursuant to Section 9250 of the Vehicle Code.

33 (c) The fee imposed pursuant to this chapter is imposed for the
34 privilege of a resident of California to operate upon the public
35 highways a vehicle or trailer coach, the registrant of which is
36 subject to the fee under Chapter 2 (commencing with Section
37 10751).

38 (d) The revenues from the transportation improvement fee
39 imposed by this chapter shall be available for expenditure only on
40 transportation purposes as provided in Section 11053.

1 11052. (a) The annual amount of the transportation
2 improvement fee shall be based on the market value of the vehicle,
3 as determined by the department pursuant to Sections 10753,
4 10753.2, and 10753.5, using the following schedule:

5 (1) Vehicles with a vehicle market value range between zero
6 dollars (\$0) and four thousand nine hundred ninety-nine dollars
7 (\$4,999), a fee of twenty-five dollars (\$25).

8 (2) Vehicles with a vehicle market value range between five
9 thousand dollars (\$5,000) and twenty-four thousand nine hundred
10 ninety-nine dollars (\$24,999), a fee of fifty dollars (\$50).

11 (3) Vehicles with a vehicle market value range between
12 twenty-five thousand dollars (\$25,000) and thirty-four thousand
13 nine hundred ninety-nine dollars (\$34,999), a fee of one hundred
14 dollars (\$100).

15 (4) Vehicles with a vehicle market value range between
16 thirty-five thousand dollars (\$35,000) and fifty-nine thousand nine
17 hundred ninety-nine dollars (\$59,999), a fee of one hundred fifty
18 dollars (\$150).

19 (5) Vehicles with a vehicle market value range of sixty thousand
20 dollars (\$60,000) and higher, a fee of one hundred seventy-five
21 dollars (\$175).

22 (b) On January 1, 2020, and every January 1 thereafter, the
23 department shall adjust the transportation improvement fee imposed
24 under subdivision (a) by increasing the fee for each vehicle market
25 range in an amount equal to the increase in the California
26 Consumer Price Index for the prior year, except the first adjustment
27 shall cover the prior two years, as calculated by the Department
28 of Finance, with amounts equal to or greater than fifty cents (\$0.50)
29 rounded to the highest whole dollar. The incremental change shall
30 be added to the associated fee rate for that year.

31 (c) Any changes to the transportation improvement fee imposed
32 in subdivision (a) that are enacted by the Legislature subsequent
33 to January 1, 2018, shall be deemed to be changes to the base fee
34 for purposes of the California Consumer Price Index calculation
35 and adjustment performed pursuant to subdivision (b).

36 11053. Revenues from the transportation improvement fee,
37 after deduction of the department's administrative costs related to
38 this chapter, shall be transferred by the department to the Controller
39 for deposit as follows:

(a) Commencing with the 2017–18 fiscal year, three hundred fifty million dollars (\$350,000,000), plus an annual increase for inflation as determined in subdivision (b) of Section 11052 for this proportional share, shall annually be deposited into the Public Transportation Account. The Controller shall, each month, set aside one-twelfth of this amount, to accumulate a total of three hundred fifty million dollars (\$350,000,000) in each fiscal year or the appropriate adjusted amount. For each fiscal year commencing with the 2017–18 fiscal year, the annual Budget Act shall include an appropriation for 70 percent of these revenues to be allocated to the Transit and Intercity Rail Capital Program (Part 2 (commencing with Section 75220) of Division 44 of the Public Resources Code), pursuant to Section 99312.4 of the Public Utilities Code. The remaining 30 percent of these revenues shall be continuously appropriated to the Controller for allocation under the State Transit Assistance program, pursuant to subdivision (c) of Section 99312.1 of the Public Utilities Code.

(b) Commencing with the 2017–18 fiscal year, two hundred fifty million dollars (\$250,000,000) shall annually be deposited into the State Highway Account for appropriation by the annual Budget Act to the Congested Corridor Program created pursuant to Section 2391 of the Streets and Highways Code. The Controller shall, each month, set aside one-twelfth of this amount, to accumulate a total of two hundred fifty million dollars (\$250,000,000) in each fiscal year.

(c) The remaining revenues after the transfers made in subdivisions (a) and (b) shall be deposited into the Road Maintenance and Rehabilitation Account created pursuant to Section 2031 of the Streets and Highway Code.

SEC. 32. Section 60050 of the Revenue and Taxation Code is amended to read:

60050. (a) (1) A tax of sixteen cents (\$0.16) is hereby imposed upon each gallon of diesel fuel subject to the tax in Sections 60051, 60052, and 60058.

(2) If the federal fuel tax is reduced below the rate of fifteen cents (\$0.15) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1) shall be increased by an amount so that the combined state rate under paragraph (1) and the federal tax

1 rate per gallon equal what it would have been in the absence of
2 the federal reduction.

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

6 (b) On and after November 1, 2017, in addition to the tax
7 imposed pursuant to subdivision (a), an additional tax of twenty
8 cents (\$0.20) is hereby imposed upon each gallon of diesel fuel
9 subject to the tax in Sections 60051, 60052, and 60058.

10 (c) On July 1, 2020, and every July 1 thereafter, the State Board
11 of Equalization shall adjust the taxes imposed by subdivisions (a),
12 and (b), with the adjustment to apply to both to the base tax rates
13 specified in those provisions and to any previous adjustment in
14 rates made pursuant to this subdivision, by increasing the taxes by
15 a percentage amount equal to the increase in the California
16 Consumer Price Index, as calculated by the Department of Finance
17 with the resulting taxes rounded to the nearest one-tenth of one
18 cent (\$0.01). The first adjustment pursuant to this subdivision shall
19 be a percentage amount equal to the increase in the California
20 Consumer Price Index from November 1, 2017, to November 1,
21 2019. Subsequent annual adjustments shall cover subsequent 12
22 month periods. The incremental change shall be added to the
23 associated rate for that year.

24 (d) Any changes to the taxes imposed under this section that
25 are enacted by legislation subsequent to July 1, 2017, shall be
26 deemed to be changes to the base tax rates for purposes of the
27 California Consumer Price Index calculation and adjustment
28 performed pursuant to paragraph (1).

29 SEC. 33. Section 60050.2 is added to the Revenue and Taxation
30 Code, to read:

31 60050.2. (a) For the privilege of storing, for the purpose of
32 sale, each supplier, wholesaler, and retailer owning 1,000 or more
33 gallons of tax-paid diesel fuel on November 1, 2017, shall pay a
34 storage tax of twenty cents (\$0.20) per gallon of tax-paid diesel
35 fuel in storage according to the volumetric measure thereof.

36 (b) For purposes of this section:

37 (1) "Owning" means having title to the diesel fuel.

38 (2) "Retailer" means any person who sells diesel fuel in this
39 state to a person who subsequently uses the diesel fuel.

(3) “Storing” includes the ownership or possession of tax-paid diesel fuel outside of the bulk transfer/terminal system, including the holding of tax-paid diesel fuel for sale at wholesale or retail locations stored in a container of any kind, including railroad tank cars and trucks or trailer cargo tanks. “Storing” also includes tax-paid diesel fuel purchased from and invoiced by the seller, and tax-paid diesel fuel removed from a terminal or entered into by a supplier, prior to the date specified in subdivision (a) and in transit on that date.

(4) “Wholesaler” means any person who sells diesel fuel in this state for resale to a retailer or to a person who is not a retailer and subsequently uses the diesel fuel.

SEC. 34. Section 60201.4 is added to the Revenue and Taxation Code, to read:

60201.4. On or before January 1, 2018, each person subject to the storage tax imposed under Section 60050.2 shall prepare and file with the board, in a form prescribed by the board, a return showing the total number of gallons of tax-paid diesel fuel owned by the person on November 1, 2017, the amount of the storage tax, and any other information that the board deems necessary for the proper administration of this part. The return shall be accompanied by a remittance payable to the board in the amount of tax due.

SEC. 35. Article 2.5 (commencing with Section 800) is added to Chapter 4 of Division 1 of the Streets and Highways Code, to read:

Article 2.5. Advance Mitigation Program

800. (a) The Advance Mitigation Program is hereby created to enhance communications between the department and stakeholders to protect natural resources through project mitigation, to meet or exceed applicable environmental requirements, to accelerate project delivery, and to fully mitigate environmental impacts from transportation infrastructure projects. The department shall consult on all activities pursuant to this article with the Department of Fish and Wildlife, including activities pursuant to Chapter 9 (commencing with Section 1850) of Division 2 of the Fish and Game Code.

(b) Commencing with the 2017–18 fiscal year, and for a period of four years, the department shall set aside no less than thirty million dollars (\$30,000,000) annually for the Advance Mitigation Program from the annual appropriations for the State Transportation Improvement Program and the State Highway Operation and Protection Program for the planning and implementation of projects in the Advanced Mitigation Program.

(c) The annual Budget Act and subsequent legislation may establish additional provisions and requirements for the program.

SEC. 36. Chapter 2 (commencing with Section 2030) is added to Division 3 of the Streets and Highways Code, to read:

CHAPTER 2. ROAD MAINTENANCE AND REHABILITATION
PROGRAM

2030. (a) The Road Maintenance and Rehabilitation Program is hereby created to address deferred maintenance on the state highway system and the local street and road system. Funds made available by the program shall be prioritized for expenditure on basic road maintenance and road rehabilitation projects, and on critical safety projects.

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

(A) Road maintenance and rehabilitation.

(B) Safety projects.

(C) Railroad grade separations.

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

(E) Traffic control devices.

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

(c) To the extent possible and cost effective, and where feasible, the department and cities and counties receiving funds under the program shall use advanced technologies and material recycling techniques that reduce the cost of maintaining and rehabilitating the streets and highways, and that exhibit reduced levels of

1 greenhouse gas emissions through material choice and construction
2 method.

3 (d) To the extent possible and cost effective, and where feasible,
4 the department and cities and counties receiving funds under the
5 program shall use advanced technologies and communications
6 systems in transportation infrastructure that recognize and
7 accommodate advanced automotive technologies that may include,
8 but are not necessarily limited to, charging or fueling opportunities
9 for zero-emission vehicles, and provision of
10 infrastructure-to-vehicle communications for transitional or full
11 autonomous vehicle systems.

12 (e) To the extent deemed cost effective, and where feasible, in
13 the context of both the project scope and the risk level for the asset
14 due to global climate change, the department and cities and
15 counties receiving funds under the program shall include features
16 in the projects funded by the program to better adapt the asset to
17 withstand the negative effects of climate change and make the
18 asset more resilient to impacts such as fires, floods, and sea level
19 rise.

20 (f) To the extent beneficial, cost effective, and practicable in
21 the context of facility type, right-of-way, project scope, and quality
22 of nearby alternative facilities, and where feasible, the department
23 and cities and counties receiving funds under the program shall
24 incorporate complete street elements into projects funded by the
25 program, including, but not limited to, elements that improve the
26 quality of bicycle and pedestrian facilities and that improve safety
27 for all users of transportation facilities.

28 (g) For purposes of funds directed to the State Highway
29 Operation and Protection Program, the guidelines and reporting
30 provisions shall be consistent with Section 14526.5 of the
31 Government Code.

32 (h) Guidelines adopted by the commission to facilitate the
33 allocation of funds in the account shall be exempt from the
34 Administrative Procedure Act (Chapter 3.5 (commencing with
35 Section 11340) of Part 1 of Division 3 of Title 2 of the Government
36 Code).

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

1 (a) Notwithstanding subdivision (b) of Section 2103 and
2 pursuant to subdivision (a) of Section 2103.1, the portion of the
3 revenues in the Highway Users Tax Account attributable to the
4 increases in the motor vehicle fuel excise tax pursuant to
5 subdivision (c) of Section 7360 of the Revenue and Taxation Code,
6 as adjusted pursuant to subdivision (d) of that section.

7 (b) The revenues from the portion of the transportation
8 improvement fee pursuant to subdivision (c) of Section 11053 of
9 the Revenue and Taxation Code.

10 (c) The revenues from the increase in the vehicle registration
11 fee pursuant to Section 9250.6 of the Vehicle Code, as adjusted
12 pursuant to subdivision (b) of that section.

13 (d) Notwithstanding subdivision (b) of Section 2103 and
14 pursuant to paragraph (2) of subdivision (b) of Section 2103.1,
15 one-half of the revenues attributable to the increase in the diesel
16 fuel excise tax pursuant to subdivisions (b) and (c) of Section
17 60050 of the Revenue and Taxation Code.

18 (e) Any other revenues designated for the program.

19 2031.5. For each fiscal year, the annual Budget Act shall
20 contain an appropriation from the Road Maintenance and
21 Rehabilitation Account for the costs of administering this chapter.

22 2032. (a) (1) After deducting the amounts appropriated in the
23 annual Budget Act, as provided in Section 2031.5, two hundred
24 million dollars (\$200,000,000) of the remaining revenues deposited
25 in the Road Maintenance and Rehabilitation Account shall be set
26 aside annually for counties that have sought and received voter
27 approval of taxes or that have imposed fees, including uniform
28 developer fees as defined by subdivision (b) of Section 8879.67
29 of the Government Code, which taxes or fees are dedicated solely
30 to transportation improvements. The Controller shall each month
31 set aside one-twelfth of this amount, to accumulate a total of two
32 hundred million dollars (\$200,000,000) in each fiscal year.

33 (2) Eligible projects under this subdivision shall include, but
34 not are limited to, sound walls for a freeway that was built prior
35 to 1987 without sound walls and with or without high occupancy
36 vehicle lanes if the completion of the sound walls has been deferred
37 due to lack of available funding for at least twenty years and a
38 noise barrier scope summary report has been completed within the
39 last twenty years.

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

(b) After deducting the amounts appropriated in the annual Budget Act pursuant to Section 2031.5 and the amount allocated in subdivision (a), beginning in the 2017–18 fiscal year, one hundred million dollars (\$100,000,000) of the remaining revenues shall be available annually for expenditure, upon appropriation by the Legislature, on the Active Transportation Program created pursuant to Chapter 8 (commencing with Section 2380) of Division 3 to be allocated by the California Transportation Commission pursuant to Section 2381. The Controller shall each month set aside one-twelfth of this amount, to accumulate a total of one hundred million dollars (\$100,000,000) in each fiscal year.

(c) After deducting the amounts appropriated in the annual Budget Act pursuant to Section 2031.5 and the amounts allocated in subdivisions (a) and (b), beginning in the 2017–18 fiscal year, four hundred million dollars (\$400,000,000) of the remaining revenues shall be available annually for expenditure, upon appropriation by the Legislature, by the department for bridge and culvert maintenance and rehabilitation. The Controller shall each month set aside one-twelfth of this amount, to accumulate a total of four hundred million dollars (\$400,000,000) in each fiscal year.

(d) After deducting the amounts appropriated in the annual Budget Act pursuant to Section 2031.5 and the amounts allocated in subdivisions (a), (b), and (c), beginning in the 2017–18 fiscal year, twenty-five million dollars (\$25,000,000) of the remaining revenues shall be transferred annually to the State Highway Account for expenditure, upon appropriation by the Legislature, to supplement the freeway service patrol program. The Controller shall each month set aside one-twelfth of this amount, to accumulate a total of twenty-five million dollars (\$25,000,000) in each fiscal year.

(e) After deducting the amounts appropriated in the annual Budget Act pursuant to Section 2031.5 and the amounts allocated in subdivisions (a), (b), (c), and (d), in the 2017–18, 2018–19, 2019–20, 2020–21, and 2021–22 fiscal years, from revenues in the Road Maintenance and Rehabilitation Account that are not

1 subject to Article XIX of the California Constitution, five million
2 dollars (\$5,000,000) shall be appropriated in each fiscal year to
3 the California Workforce Development Board to assist local
4 agencies to implement policies to promote preapprenticeship
5 training programs to carry out the projects that are funded by the
6 account pursuant to Section 2038. Funds appropriated pursuant to
7 this subdivision in the Budget Act but remaining unexpended at
8 the end of each applicable fiscal year shall be reappropriated for
9 the same purposes in the following year's Budget Act, but all funds
10 appropriated or reappropriated pursuant to this subdivision in the
11 Budget Act shall be liquidated no later than June 30, 2027.

12 (f) After deducting the amounts appropriated in the annual
13 Budget Act pursuant to Section 2031.5 and the amounts allocated
14 in subdivisions (a), (b), (c), (d), and (e), beginning in the 2017–18
15 fiscal year, twenty-five million dollars (\$25,000,000) of the
16 remaining revenues shall be available annually for expenditure,
17 upon appropriation by the Legislature, by the department for local
18 planning grants, as described in Section 2033.5. The Controller
19 shall each month set aside one-twelfth of this amount, to
20 accumulate a total of twenty-five million dollars (\$25,000,000) in
21 each fiscal year.

22 (g) After deducting the amounts appropriated in the annual
23 Budget Act pursuant to Section 2031.5 and the amounts allocated
24 in subdivisions (a), (b), (c), (d), (e), and (f), beginning in the
25 2017–18 fiscal year and each fiscal year thereafter, from the
26 remaining revenues, five million dollars (\$5,000,000) shall be
27 available, upon appropriation, to the University of California for
28 the purpose of conducting transportation research and two million
29 dollars (\$2,000,000) shall be available, upon appropriation, to the
30 California State University for the purpose of conducting
31 transportation research and transportation-related workforce
32 education, training, and development. Prior to the start of each
33 fiscal year, the Secretary of Transportation and the chairs of the
34 Assembly Committee on Transportation and the Senate Committee
35 on Transportation and Housing may set out a recommended priority
36 list of research components to be addressed in the upcoming fiscal
37 year.

38 (h) Notwithstanding Section 13340 of the Government Code,
39 the balance of the revenues deposited in the Road Maintenance

1 and Rehabilitation Account are hereby continuously appropriated
2 as follows:

3 (1) Fifty percent for allocation to the department for maintenance
4 of the state highway system or for purposes of the state highway
5 operation and protection program.

6 (2) Fifty percent for apportionment to cities and counties by the
7 Controller pursuant to the formula in clauses (i) and (ii) of
8 subparagraph (C) of paragraph (3) of subdivision (a) of Section
9 2103 for the purposes authorized by this chapter.

10 2032.5. (a) It is the intent of the Legislature that the
11 Department of Transportation and local governments are held
12 accountable for the efficient investment of public funds to maintain
13 the public highways, streets, and roads, and are accountable to the
14 people through performance goals that are tracked and reported.

15 (b) The department shall annually report to the commission
16 relative to the expenditures made with funds received pursuant to
17 subdivision (c) of, and paragraph (1) of subdivision (g) of, Section
18 2032, and the progress made and achievement of the performance
19 goals outlined in subdivision (n) of Section 1 of the act adding this
20 section.

21 (c) For each fiscal year in which the department receives an
22 allocation of funds described in subdivision (b), the department
23 shall submit documentation to the commission that includes a
24 description and the location of each completed project, the amount
25 of funds expended on the project, the completion date, and the
26 project's estimated useful life. Annually, the commission shall
27 evaluate the effectiveness of the department in reducing deferred
28 maintenance and improving road conditions on the state highway
29 system, as demonstrated by the progress made by the goals set
30 forth in subdivision (n) of Section 1 of the act enacting this section.
31 The commission may make recommendations for improvement
32 and may withhold future project allocations if it determines
33 program funds are not being appropriately spent. The commission
34 shall annually include any findings in its annual report to the
35 Legislature pursuant to Section 14535 of the Government Code.

36 (d) The department shall implement efficiency measures with
37 the goal to generate at least one hundred million dollars
38 (\$100,000,000) per year in savings to invest in maintenance and
39 rehabilitation of the state highway system. These savings shall be
40 reported to the commission.

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

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

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

11 2033.5. The department, from funds made available pursuant
12 to subdivision (f) of Section 2032, shall allocate local planning
13 grants to encourage local and regional planning that furthers state
14 goals, including, but not limited to, the goals and best practices
15 cited in the regional transportation guidelines adopted by the
16 commission pursuant to Sections 14522 to 14522.3, inclusive, of
17 the Government Code. The department shall develop a grant guide
18 and shall consult with the State Air Resources Board, the
19 Governor's Office of Planning and Research, and the Department
20 of Housing and Community Development in the development of
21 the grant guide, and shall provide status reports as it administers
22 these funds. The grant guide shall be exempt from the
23 Administrative Procedure Act (Chapter 3.5 (commencing with
24 Section 11340) of Part 1 of Division 3 of Title 2 of the Government
25 Code).

26 2034. (a) (1) Prior to receiving an apportionment of funds
27 under the program pursuant to paragraph (2) of subdivision (h) of
28 Section 2032 from the Controller in a fiscal year, an eligible city
29 or county shall submit to the commission a list of projects proposed
30 to be funded with these funds pursuant to an adopted city or county
31 budget. All projects proposed to receive funding shall be included
32 in a city or county budget that is adopted by the applicable city
33 council or county board of supervisors at a regular public meeting.
34 The list of projects proposed to be funded with these funds shall
35 include a description and the location of each proposed project, a
36 proposed schedule for the project's completion, and the estimated
37 useful life of the improvement. The project list shall not limit the
38 flexibility of an eligible city or county to fund projects in
39 accordance with local needs and priorities so long as the projects
40 are consistent with subdivision (b) of Section 2030.

1 (2) The commission shall report to the Controller the cities and
2 counties that have submitted a list of projects as described in this
3 subdivision and that are therefore eligible to receive an
4 apportionment of funds under the program for the applicable fiscal
5 year. The Controller, upon receipt of the report, shall apportion
6 funds to eligible cities and counties.

7 (b) For each fiscal year, each city or county receiving an
8 apportionment of funds shall, upon expending program funds,
9 submit documentation to the commission that includes a description
10 and location of each completed project, the amount of funds
11 expended on the project, the completion date, and the estimated
12 useful life of the improvement.

13 2036. (a) Cities and counties shall maintain their existing
14 commitment of local funds for street, road, and highway purposes
15 in order to remain eligible for an allocation or apportionment of
16 funds pursuant to Section 2032.

17 (b) In order to receive an allocation or apportionment pursuant
18 to Section 2032, the city or county shall annually expend from its
19 general fund for street, road, and highway purposes an amount not
20 less than the annual average of its expenditures from its general
21 fund during the 2009–10, 2010–11, and 2011–12 fiscal years, as
22 reported to the Controller pursuant to Section 2151. For purposes
23 of this subdivision, in calculating a city's or county's annual
24 general fund expenditures and its average general fund expenditures
25 for the 2009–10, 2010–11, and 2011–12 fiscal years, any
26 unrestricted funds that the city or county may expend at its
27 discretion, including vehicle in-lieu tax revenues and revenues
28 from fines and forfeitures, expended for street, road, and highway
29 purposes shall be considered expenditures from the general fund.
30 One-time allocations that have been expended for street and
31 highway purposes, but which may not be available on an ongoing
32 basis, including revenue provided under the Teeter Plan Bond Law
33 of 1994 (Chapter 6.6 (commencing with Section 54773) of Part 1
34 of Division 2 of Title 5 of the Government Code), may not be
35 considered when calculating a city's or county's annual general
36 fund expenditures.

37 (c) For any city incorporated after July 1, 2009, the Controller
38 shall calculate an annual average expenditure for the period
39 between July 1, 2009, and December 31, 2015, inclusive, that the
40 city was incorporated.

1 (d) For purposes of subdivision (b), the Controller may request
2 fiscal data from cities and counties in addition to data provided
3 pursuant to Section 2151, for the 2009–10, 2010–11, and 2011–12
4 fiscal years. Each city and county shall furnish the data to the
5 Controller not later than 120 days after receiving the request. The
6 Controller may withhold payment to cities and counties that do
7 not comply with the request for information or that provide
8 incomplete data.

9 (e) The Controller may perform audits to ensure compliance
10 with subdivision (b) when deemed necessary. Any city or county
11 that has not complied with subdivision (b) shall reimburse the state
12 for the funds it received during that fiscal year. Any funds withheld
13 or returned as a result of a failure to comply with subdivision (b)
14 shall be reapportioned to the other counties and cities whose
15 expenditures are in compliance.

16 (f) If a city or county fails to comply with the requirements of
17 subdivision (b) in a particular fiscal year, the city or county may
18 expend during that fiscal year and the following fiscal year a total
19 amount that is not less than the total amount required to be
20 expended for those fiscal years for purposes of complying with
21 subdivision (b).

22 2037. A city or county may spend its apportionment of funds
23 under the program on transportation priorities other than those
24 allowable pursuant to this chapter if the city's or county's average
25 Pavement Condition Index meets or exceeds 80.

26 2038. The California Workforce Development Board shall
27 develop guidelines for public agencies receiving Road Maintenance
28 and Rehabilitation Account funds to participate in, invest in, or
29 partner with, new or existing preapprenticeship training programs
30 established pursuant to subdivision (e) of Section 14230 of the
31 Unemployment Insurance Code. The department and local agencies
32 that receive Road Maintenance and Rehabilitation Account funds
33 pursuant to this chapter shall, not later than July 1, 2023, follow
34 the guidelines set forth by the board. The board shall also establish
35 a preapprenticeship development and training grant program,
36 beginning January 1, 2019, pursuant to subdivision (e) of Section
37 14230 of the Unemployment Insurance Code. Local public agencies
38 that receive Road Maintenance and Rehabilitation Account funds
39 pursuant to this chapter are eligible to compete for such grants and
40 may apply in partnership with other agencies and entities, including

1 those with existing preapprenticeship programs. Successful grant
2 applicants shall, to the extent feasible:

3 (a) Follow the multicraft core curriculum implemented by the
4 State Department of Education for its pilot project with the
5 California Partnership Academies and by the California Workforce
6 Development Board and local boards.

7 (b) Include a plan for outreach to and retention of women
8 participants in the preapprenticeship program to help increase the
9 representation of women in the building and construction trades.

10 (c) Include a plan for outreach to and retention of minority
11 participants and underrepresented subgroups in the
12 preapprenticeship program to help increase their representation in
13 the building and construction trades.

14 (d) Include a plan for outreach to and retention of disadvantaged
15 youth participants in the preapprenticeship program to help increase
16 their employment opportunities in the building and construction
17 trades.

18 (e) Include a plan for outreach to individuals in the local labor
19 market area and to formerly incarcerated individuals to provide
20 pathways to employment and training.

21 (f) Coordinate with local state-approved apprenticeship
22 programs, local building trade councils, and to the extent possible
23 the California Conservation Corps and certified community
24 conservation corps, so individuals who have completed these
25 programs have a pathway to continued employment.

26 SEC. 37. Section 2103.1 is added to the Streets and Highways
27 Code, to read:

28 2103.1. (a) Notwithstanding subdivision (b) of Section 2103,
29 the portion of revenues in the Highway Users Tax Account
30 attributable to the increases in the motor vehicle fuel excise tax
31 pursuant to subdivision (c) of Section 7360 of the Revenue and
32 Taxation Code, as adjusted pursuant to subdivision (d) of that
33 section, shall be transferred to the Road Maintenance and
34 Rehabilitation Account pursuant to Section 2031.

35 (b) Notwithstanding subdivision (b) of Section 2103, the portion
36 of revenues in the Highway Users Tax Account attributable to the
37 increase in the diesel fuel excise tax pursuant to subdivision (b)
38 of Section 60050 of the Revenue and Taxation Code, as adjusted
39 pursuant to subdivision (c) of that section, shall be transferred as
40 follows:

1 (1) Fifty percent to the Trade Corridors Enhancement Account
2 pursuant to Section 2192.4.

3 (2) Fifty percent to the Road Maintenance and Rehabilitation
4 Account pursuant to Section 2031.

5 (c) Notwithstanding subdivision (b) of Section 2103, the portion
6 of the revenues in the Highway Users Tax Account attributable to
7 the storage taxes imposed pursuant to Sections 7361.2 and 60050.2
8 of the Revenue and Taxation Code shall be deposited in the Road
9 Maintenance and Rehabilitation Account created pursuant to
10 Section 2031.

11 SEC. 38. Section 2104 of the Streets and Highways Code is
12 amended to read:

13 2104. Notwithstanding Section 13340 of the Government Code,
14 a sum equal to the net revenue derived from 11.3 percent of the
15 per gallon tax under the Motor Vehicle Fuel License Tax Law
16 (Part 2 (commencing with Section 7301) of Division 2), 1.80 cents
17 (\$0.0180) under the Use Fuel Tax Law (Part 3 (commencing with
18 Section 8601) of Division 2), and 11.5 percent of the per gallon
19 tax under the Diesel Fuel Tax Law (Part 31 (commencing with
20 Section 60001) of Division 2) of the Revenue and Taxation Code,
21 shall be apportioned among the counties, as follows:

22 (a) Each county shall be paid one thousand six hundred
23 sixty-seven dollars (\$1,667) during each calendar month, which
24 amount shall be expended exclusively for engineering costs and
25 administrative expenses with respect to county roads.

26 (b) A sum equal to the total of all reimbursable snow removal
27 or snow grooming, or both, costs filed pursuant to subdivision (d)
28 of Section 2152, or seven million dollars (\$7,000,000), whichever
29 is less, shall be apportioned in 12 approximately equal monthly
30 apportionments for snow removal or snow grooming, or both, on
31 county roads, as provided in Section 2110.

32 (c) A sum equal to five hundred thousand dollars (\$500,000)
33 shall be apportioned in 12 approximately equal monthly
34 apportionments, as provided in Section 2110.5.

35 (d) (1) Seventy-five percent of the funds payable under this
36 section shall be apportioned among the counties monthly in the
37 respective proportions that the number of fee-paid and exempt
38 vehicles which are registered in each county bears to the total
39 number of fee-paid and exempt vehicles registered in the state.

(2) For purposes of apportionment under this subdivision, the Department of Motor Vehicles shall, as soon as possible after the last day of each calendar month, furnish to the Controller a verified statement showing the number of fee-paid and exempt vehicles which are registered in each county and in the state as of the last day of each calendar month as reflected by the records of the Department of Motor Vehicles.

(e) Of the remaining money payable, there shall be paid to each eligible county an amount that is computed monthly as follows: The number of miles of maintained county roads in each county shall be multiplied by sixty dollars (\$60); from the resultant amount, there shall be deducted the amount received by each county under subdivision (d) and the remainder, if any, shall be paid to each county.

(f) The remaining money payable, after the foregoing apportionments, shall be apportioned among the counties in the same proportion as the money referred to in subdivision (d).

(g) (1) Transfers of revenues from the Highway Users Tax Account to counties pursuant to this section collected during the months of March, April, May, June, and July of 2008, shall be made with the transfer of August 2008 revenues in September of 2008. This suspension shall not apply to a county with a population of less than 40,000.

(2) For the purpose of meeting the cash obligations associated with ongoing budgeted costs, a county may make use of any cash balance in its county road fund, including that resulting from the receipt of funds pursuant to the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Chapter 12.49 (commencing with Section 8879.20) of Division 1 of Title 2 of the Government Code (hereafter bond act)) for local streets and roads maintenance, during the period of this suspension, without the use of this cash being reflected as an expenditure of bond act funds, provided the cash is replaced once this suspension is repaid in September of 2008. Counties may accrue the revenue received in September 2008 as repayment of these suspensions for the months of April, May, and June of 2008 back to the 2007–08 fiscal year. Nothing in this paragraph shall change the fact that expenditures must be accrued and reflected from the appropriate funding sources for which the moneys were received and meet all the requirements of those funding sources.

1 (h) (1) The transfer of revenues from the Highway Users Tax
2 Account to counties pursuant to this section that are collected
3 during the months of January, February, and March 2009, shall be
4 made with the transfer of April 2009 revenues in May 2009.

5 (2) For the purpose of meeting the cash obligations associated
6 with ongoing budgeted costs, a county may make use of any cash
7 balance in its county road fund, including that resulting from the
8 receipt of funds pursuant to the Highway Safety, Traffic Reduction,
9 Air Quality, and Port Security Bond Act of 2006 (Chapter 12.49
10 (commencing with Section 8879.20) of Division 1 of Title 2 of
11 the Government Code (bond act)) for local streets and roads
12 maintenance during the period of this suspension, provided the
13 cash is replaced once this suspension is repaid in May of 2009.

14 (3) This subdivision shall not affect any requirement that an
15 expenditure is required to be accrued and reflected from the
16 appropriate funding source for which the money was received and
17 to meet all the requirements of its funding source.

18 SEC. 39. Section 2105 of the Streets and Highways Code is
19 amended to read:

20 2105. Notwithstanding Section 13340 of the Government Code,
21 in addition to the apportionments prescribed by Sections 2104,
22 2106, and 2107, from the revenues derived from a per gallon tax
23 imposed pursuant to Section 7360 of the Revenue and Taxation
24 Code, and a per gallon tax imposed pursuant to Sections 8651,
25 8651.5, and 8651.6 of the Revenue and Taxation Code, and a per
26 gallon tax imposed pursuant to Sections 60050 and 60115 of the
27 Revenue and Taxation Code, the following apportionments shall
28 be made:

29 (a) A sum equal to 5.8 percent of the per gallon tax under
30 Section 7360 of the Revenue and Taxation Code, 11.5 percent of
31 any per gallon tax in excess of nine cents (\$0.09) per gallon under
32 Sections 8651, 8651.5, and 8651.6 of the Revenue and Taxation
33 Code, and 6.5 percent of the per gallon tax under Sections 60050
34 and 60115 of the Revenue and Taxation Code, shall be apportioned
35 among the counties, including a city and county.

36 The amount of apportionment to each county, including a city
37 and county, during a fiscal year shall be calculated as follows:

38 (1) One million dollars (\$1,000,000) for apportionment to all
39 counties, including a city and county, in proportion to each county's
40 receipts during the prior fiscal year under Sections 2104 and 2106.

(2) One million dollars (\$1,000,000) for apportionment to all counties, including a city and county, as follows:

(A) Seventy-five percent in the proportion that the number of fee-paid and exempt vehicles which are registered in the county bears to the number of fee-paid and exempt vehicles registered in the state.

(B) Twenty-five percent in the proportion that the number of miles of maintained county roads in the county bears to the miles of maintained county roads in the state.

(3) For each county, determine its factor which is the higher amount calculated pursuant to paragraph (1) or (2) divided by the sum of the higher amounts for all of the counties.

(4) The amount to be apportioned to each county is equal to its factor multiplied by the amount available for apportionment.

(b) A sum equal to 5.8 percent of the per gallon tax under Section 7360 of the Revenue and Taxation Code, 11.5 percent of any per gallon tax in excess of nine cents (\$0.09) per gallon under Sections 8651, 8651.5, and 8651.6 of the Revenue and Taxation Code, and 6.5 percent of the per gallon tax under Sections 60050 and 60115 of the Revenue and Taxation Code, shall be apportioned to cities, including a city and county, in the proportion that the total population of the city bears to the total population of all the cities in the state.

(c) (1) Transfers of revenues from the Highway Users Tax Account to counties or cities pursuant to this section collected during the months of March, April, May, June, and July of 2008, shall be made with the transfer of August 2008 revenues in September of 2008. This suspension shall not apply to a county with a population of less than 40,000.

(2) For the purpose of meeting the cash obligations associated with ongoing budgeted costs, a city or county may make use of any cash balance in the city account that is designated for the receipt of state funds allocated for local streets and roads or the county road fund, including that resulting from the receipt of funds pursuant to the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Chapter 12.49 (commencing with Section 8879.20) of Division 1 of Title 2 of the Government Code (hereafter bond act)) for local streets and roads maintenance, during the period of this suspension, without the use of this cash being reflected as an expenditure of bond act funds, provided the

1 cash is replaced once this suspension is repaid in September of
2 2008. Counties and cities may accrue the revenue received in
3 September 2008 as repayment of these suspensions for the months
4 of April, May, and June of 2008 back to the 2007–08 fiscal year.
5 Nothing in this paragraph shall change the fact that expenditures
6 must be accrued and reflected from the appropriate funding sources
7 for which the moneys were received and meet all the requirements
8 of those funding sources.

9 (d) (1) The transfer of revenues from the Highway Users Tax
10 Account to counties or cities pursuant to this section collected
11 during the months of January, February, and March 2009 shall be
12 made with the transfer of April 2009 revenues in May 2009.

13 (2) For the purpose of meeting the cash obligations associated
14 with ongoing budgeted costs, a city or county may make use of
15 any cash balance in the city account that is designated for the
16 receipt of state funds allocated for local streets and roads or the
17 county road fund, including that resulting from the receipt of funds
18 pursuant to the Highway Safety, Traffic Reduction, Air Quality,
19 and Port Security Bond Act of 2006 (Chapter 12.49 (commencing
20 with Section 8879.20) of Division 1 of Title 2 of the Government
21 Code (bond act)) for local streets and roads maintenance, during
22 the period of this suspension, and the use of this cash shall not be
23 considered as an expenditure of bond act funds, if the cash is
24 replaced when the payments that are suspended pursuant to this
25 subdivision are repaid in May 2009.

26 (3) This subdivision shall not affect any requirement that an
27 expenditure is required to be accrued and reflected from the
28 appropriate funding source for which the money was received and
29 to meet all the requirements of its funding source.

30 SEC. 40. Section 2106 of the Streets and Highways Code is
31 amended to read:

32 2106. Notwithstanding Section 13340 of the Government Code,
33 a sum equal to the net revenue derived from 5.3 percent of the per
34 gallon tax under the Motor Vehicle Fuel License Tax Law (Part 2
35 (commencing with Section 7301) of Division 2 of the Revenue
36 and Taxation Code) shall be apportioned monthly from the
37 Highway Users Tax Account in the Transportation Tax Fund
38 among the counties and cities as follows:

1 (a) Four hundred dollars (\$400) per month shall be apportioned
2 to each city and city and county and eight hundred dollars (\$800)
3 per month shall be apportioned to each county and city and county.

4 (b) On the last day of each month, the sum of six hundred
5 thousand dollars (\$600,000) shall be transferred to the State
6 Highway Account in the State Transportation Fund for the Active
7 Transportation Program pursuant to Chapter 8 (commencing with
8 Section 2380). For each month in the 2013–14 fiscal year that has
9 passed prior to the enactment of the bill adding this sentence, six
10 hundred thousand dollars (\$600,000) shall be immediately
11 transferred from the Bicycle Transportation Account to the State
12 Highway Account in the State Transportation Fund for the Active
13 Transportation Program, less any amount already expended for
14 that program from the Bicycle Transportation Account during the
15 2013–14 fiscal year.

16 (c) The balance shall be apportioned, as follows:

17 (1) A base sum shall be computed for each county by using the
18 same proportions of fee-paid and exempt vehicles as are established
19 for purposes of apportionment of funds under subdivision (d) of
20 Section 2104.

21 (2) For each county, the percentage of the total assessed
22 valuation of tangible property subject to local tax levies within the
23 county which is represented by the assessed valuation of tangible
24 property outside the incorporated cities of the county shall be
25 applied to its base sum, and the resulting amount shall be
26 apportioned to the county. The assessed valuation of taxable
27 tangible property, for purposes of this computation, shall be that
28 most recently used for countywide tax levies as reported to the
29 Controller by the State Board of Equalization. If an incorporation
30 or annexation is legally completed following the base sum
31 computation, the new city's assessed valuation shall be deducted
32 from the county's assessed valuation, the estimate of which may
33 be provided by the State Board of Equalization.

34 (3) The difference between the base sum for each county and
35 the amount apportioned to the county shall be apportioned to the
36 cities of that county in the proportion that the population of each
37 city bears to the total population of all the cities in the county.
38 Populations used for determining apportionment of money under
39 Section 2107 are to be used for purposes of this section.

1 (d) (1) Transfers of revenues from the Highway Users Tax
2 Account to counties or cities pursuant to this section collected
3 during the months of March, April, May, June, and July of 2008,
4 shall be made with the transfer of August 2008 revenues in
5 September of 2008. This suspension shall not apply to a county
6 with a population of less than 40,000.

7 (2) For the purpose of meeting the cash obligations associated
8 with ongoing budgeted costs, a city or county may make use of
9 any cash balance in the city account that is designated for the
10 receipt of state funds allocated for local streets and roads or the
11 county road fund, including that resulting from the receipt of funds
12 pursuant to the Highway Safety, Traffic Reduction, Air Quality,
13 and Port Security Bond Act of 2006 (Chapter 12.49 (commencing
14 with Section 8879.20) of Division 1 of Title 2 of the Government
15 Code (hereafter bond act)) for local streets and roads maintenance,
16 during the period of this suspension, without the use of this cash
17 being reflected as an expenditure of bond act funds, provided the
18 cash is replaced once this suspension is repaid in September of
19 2008. Counties and cities may accrue the revenue received in
20 September 2008 as repayment of these suspensions for the months
21 of April, May, and June of 2008 back to the 2007–08 fiscal year.
22 Nothing in this paragraph shall change the fact that expenditures
23 must be accrued and reflected from the appropriate funding sources
24 for which the moneys were received and meet all the requirements
25 of those funding sources.

26 (e) (1) The transfer of revenues from the Highway Users Tax
27 Account to counties or cities pursuant to this section collected
28 during the months of January, February, and March 2009, shall be
29 made with the transfer of April 2009 revenues in May 2009.

30 (2) For the purpose of meeting the cash obligations associated
31 with ongoing budgeted costs, a city or county may make use of
32 any cash balance in the city account that is designated for the
33 receipt of state funds allocated for local streets and roads or the
34 county road fund, including that resulting from the receipt of funds
35 pursuant to the Highway Safety, Traffic Reduction, Air Quality,
36 and Port Security Bond Act of 2006 (Chapter 12.49 (commencing
37 with Section 8879.20) of Division 1 of Title 2 of the Government
38 Code (bond act)) for local streets and roads maintenance, during
39 the period of this suspension, and the use of this cash shall not be
40 considered as an expenditure of bond act funds, if the cash is

1 replaced when the payments that are suspended pursuant to this
2 subdivision are repaid in May 2009.

3 (3) This subdivision shall not affect any requirement that an
4 expenditure is required to be accrued and reflected from the
5 appropriate funding source for which the money was received and
6 to meet all the requirements of its funding source.

7 SEC. 41. Section 2107 of the Streets and Highways Code is
8 amended to read:

9 2107. (a) Notwithstanding Section 13340 of the Government
10 Code, a sum equal to the net revenues derived from 7.3 percent of
11 the per gallon tax under the Motor Vehicle Fuel License Tax Law
12 (Part 2 (commencing with Section 7301) of Division 2), 2.59 cents
13 (\$0.0259) under the Use Fuel Tax Law (Part 3 (commencing with
14 Section 8601) of Division 2), and 11.5 percent under the Diesel
15 Fuel Tax Law (Part 31 (commencing with Section 60001) of
16 Division 2) of the Revenue and Taxation Code, shall be
17 apportioned monthly to the cities and cities and counties of this
18 state from the Highway Users Tax Account in the Transportation
19 Tax Fund as provided in this section.

20 (b) From the sum determined pursuant to subdivision (a), the
21 Controller shall allocate annually to each city that has filed a report
22 containing the information prescribed by subdivision (c) of Section
23 2152, and that had expenditures in excess of five thousand dollars
24 (\$5,000) during the preceding fiscal year for snow removal, an
25 amount equal to one-half of the amount of its expenditures for
26 snow removal in excess of five thousand dollars (\$5,000) during
27 that fiscal year.

28 (c) The balance of the sum determined pursuant to subdivision
29 (a) from the Highway Users Tax Account shall be allocated to
30 each city, including city and county, in the proportion that the total
31 population of the city bears to the total population of all the cities
32 in this state.

33 (d) (1) For the purpose of this section, except as otherwise
34 provided in paragraph (2), the population in each city is the
35 population determined for that city in the manner specified in
36 Section 11005.3 of the Revenue and Taxation Code.

37 (2) Commencing with the ninth fiscal year of a city described
38 in subdivision (a) of Section 11005.3 of the Revenue and Taxation
39 Code, the sixth fiscal year of a city described in subdivision (b) of
40 Section 11005.3 of the Revenue and Taxation Code, and the 61st

1 month of the city described in subdivision (c) of Section 11005.3
2 of the Revenue and Taxation Code, the population in each city is
3 the actual population of that city, as defined in subdivision (e) of
4 Section 11005.3 of the Revenue and Taxation Code.

5 (e) (1) Transfers of revenues from the Highway Users Tax
6 Account to cities pursuant to this section collected during the
7 months of March, April, May, June, and July of 2008, shall be
8 made with the transfer of August 2008 revenues in September of
9 2008.

10 (2) For the purpose of meeting the cash obligations associated
11 with ongoing budgeted costs, a city may make use of any cash
12 balance in the city account that is designated for the receipt of state
13 funds allocated for local streets and roads, including that resulting
14 from the receipt of funds pursuant to the Highway Safety, Traffic
15 Reduction, Air Quality, and Port Security Bond Act of 2006
16 (Chapter 12.49 (commencing with Section 8879.20) of Division
17 1 of Title 2 of the Government Code (hereafter bond act)) for local
18 streets and roads maintenance, during the period of this suspension,
19 without the use of this cash being reflected as an expenditure of
20 bond act funds, provided the cash is replaced once this suspension
21 is repaid in September of 2008. Cities may accrue the revenue
22 received in September 2008 as repayment of these suspensions for
23 the months of April, May, and June of 2008 back to the 2007–08
24 fiscal year. Nothing in this paragraph shall change the fact that
25 expenditures must be accrued and reflected from the appropriate
26 funding sources for which the moneys were received and meet all
27 the requirements of those funding sources.

28 (f) (1) A transfer of revenues from the Highway Users Tax
29 Account to cities pursuant to this section collected during the
30 months of January, February, and March 2009, shall be made with
31 the transfer of April 2009 revenues in May 2009.

32 (2) For the purpose of meeting the cash obligations associated
33 with ongoing budgeted costs, a city may make use of any cash
34 balance in the city account that is designated for the receipt of state
35 funds allocated for local streets and roads, including that resulting
36 from the receipt of funds pursuant to the Highway Safety, Traffic
37 Reduction, Air Quality, and Port Security Bond Act of 2006
38 (Chapter 12.49 (commencing with Section 8879.20) of Division
39 1 of Title 2 of the Government Code (bond act)) for local streets
40 and roads maintenance, during the period of this suspension, and

1 the use of this cash shall not be reflected as an expenditure of bond
2 act funds, if the cash is replaced once this suspension is repaid in
3 May 2009.

4 (3) This subdivision shall not affect any requirement that an
5 expenditure is required to be accrued and reflected from the
6 appropriate funding sources for which the moneys were received
7 and to meet all the requirements of those funding sources.

8 SEC. 42. Section 2192.4 is added to the Streets and Highways
9 Code, to read:

10 2192.4. The Trade Corridor Enhancement Account is hereby
11 created in the State Transportation Fund to receive funds from
12 subdivision (b) of Section 60050 of the Revenue and Taxation
13 Code, as adjusted. Funds in the account shall be available for
14 expenditure upon appropriation by the Legislature for
15 corridor-based freight projects nominated by local agencies and
16 the state.

17 SEC. 43. The Legislature finds and declares all of the
18 following:

19 (a) Californians know congestion. For decades, California has
20 been home to five or six of the nation's most congested travel
21 corridors, which are located in Los Angeles, the San
22 Francisco-Oakland-San Jose Bay Area, the Inland Empire, San
23 Diego, and increasingly, in the central valley. While congestion
24 is a vexing challenge in a state that is home to nearly 40 million
25 people and that adds nearly a half-million people each year, regions
26 and localities are finding new ways to address congestion in highly
27 traveled corridors by undertaking long-term, comprehensive, and
28 multimodal approaches that seek to reduce congestion by
29 expanding travel choices, improving the quality of life, and
30 preserving the local community character within the corridor.

31 (b) Examples of this more comprehensive approach to improving
32 congestion in highly traveled corridors include, but are not limited
33 to, programs in the following regions:

34 (1) The North Coast Corridor improvements along Route 5 and
35 the parallel rail corridor in the County of San Diego.

36 (2) The Route 91 and Metrolink rail corridor improvements in
37 the County of Riverside.

38 (3) Emerging solutions for the Route 101 and Caltrain corridor
39 connecting Silicon Valley with San Francisco.

1 (4) Multimodal approaches for the Route 101 and SMART rail
2 corridor between the Counties of Marin and Sonoma.

3 (5) Comprehensive solutions for the Route 405 Corridor in the
4 County of Los Angeles.

5 (c) The state recognizes the benefits to mobility, quality of life,
6 and the environment through comprehensive, multimodal proposals
7 that address mobility, community, and environmental challenges
8 along highly traveled corridors. Therefore, the Solutions for
9 Congested Corridors Program is being created to support
10 collaborative and comprehensive proposals to address these
11 challenges.

12 SEC. 44. Chapter 8.5 (commencing with Section 2390) is added
13 to Division 3 of the Streets and Highways Code, to read:

14
15 CHAPTER 8.5. CONGESTED CORRIDORS

16
17 2390. The Solutions for Congested Corridors Program is hereby
18 created.

19 2391. Pursuant to subdivision (b) of Section 11053 of the
20 Revenue and Taxation Code, two hundred fifty million dollars
21 (\$250,000,000) in the State Highway Account shall be available
22 for appropriation to the Department of Transportation in each
23 annual Budget Act for the Solutions for Congested Corridors
24 Program. Funds made available for the program shall be allocated
25 by the California Transportation Commission to projects designed
26 to achieve a balanced set of transportation, environmental, and
27 community access improvements within highly congested travel
28 corridors throughout the state. Funding shall be available for
29 projects that make specific performance improvements and are
30 part of a comprehensive corridor plan designed to reduce
31 congestion in highly traveled corridors by providing more
32 transportation choices for residents, commuters, and visitors to the
33 area of the corridor while preserving the character of the local
34 community and creating opportunities for neighborhood
35 enhancement projects. In order to mitigate increases in vehicle
36 miles traveled, greenhouse gases, and air pollution, highway lane
37 capacity-increasing projects funded by this program shall be limited
38 to high-occupancy vehicle lanes, managed lanes as defined in
39 Section 14106 of the Government Code, and other non-general
40 purpose lane improvements primarily designed to improve safety

1 for all modes of travel, such as auxiliary lanes, truck climbing
2 lanes, or dedicated bicycle lanes. Project elements within the
3 corridor plans may include improvements to state highways, local
4 streets and roads, public transit facilities, bicycle and pedestrian
5 facilities, and restoration or preservation work that protects critical
6 local habitat or open space.

7 2392. A regional transportation planning agency or county
8 transportation commission or authority responsible for preparing
9 a regional transportation improvement plan under Section 14527
10 of the Government Code or the department may nominate projects
11 for funding through the program that are consistent with the policy
12 objectives of the program as set forth in this chapter. The
13 commission shall allocate no more than one-half of the funds
14 available each year to projects nominated exclusively by the
15 department. Preference shall be given to corridor plans that
16 demonstrate that the plans and the specific project improvements
17 to be undertaken are the result of collaboration between the
18 department and local or regional partners that reflect a
19 comprehensive approach to addressing congestion and
20 quality-of-life issues within the affected corridor through
21 investment in transportation and related environmental solutions.
22 Collaboration between the partners may be demonstrated by a
23 project being jointly nominated by both the regional agency and
24 the department.

25 2393. A project nomination shall include documentation
26 regarding the quantitative and qualitative measures validating the
27 project's consistency with the policy objectives of the program as
28 set forth in this chapter. In addition to being included in a corridor
29 plan, a nominated project shall also be included in the region's
30 regional transportation plan. Projects within the boundaries of a
31 metropolitan planning organization must be included in an adopted
32 regional transportation plan that includes a sustainable communities
33 strategy determined by the State Air Resources Board to achieve
34 the region's greenhouse gas emissions reduction targets.

35 2394. The commission shall allocate program funds to projects
36 after reviewing the corridor plans submitted by the regional
37 agencies or the department and making a determination that a
38 proposed project is consistent with the objectives of the corridor
39 plan. In addition to making a consistency determination with

1 respect to project nominations, the commission shall score the
2 proposed projects on the following criteria:

- 3 (a) Safety.
- 4 (b) Congestion.
- 5 (c) Accessibility.
- 6 (d) Economic development and job creation and retention.
- 7 (e) Furtherance of state and federal ambient air standards and
8 greenhouse gas emissions reduction standards pursuant to the
9 California Global Warming Solutions Act of 2006 (Division 25.5
10 (commencing with Section 38550) of the Health and Safety Code)
11 and Senate Bill 375 (Chapter 728 of the Statutes of 2008).
- 12 (f) Efficient land use.
- 13 (g) Matching funds.
- 14 (h) Project deliverability.

15 2395. The commission shall adopt an initial program of projects
16 to be funded through the initial appropriation for the program. The
17 initial program may cover a multiyear programming period.
18 Subsequent programs of projects shall be adopted on a biennial
19 basis consistent with available funds for the program, and may
20 include updates to programs of projects previously adopted.

21 2396. The commission, in consultation with the State Air
22 Resources Board, shall develop and adopt guidelines for the
23 program consistent with the requirements of this chapter.
24 Guidelines adopted by the commission shall be exempt from the
25 Administrative Procedure Act (Chapter 3.5 (commencing with
26 Section 11340) of Part 1 of Division 3 of Title 2 of the Government
27 Code). Prior to adopting the guidelines, the commission shall
28 conduct at least one public hearing in northern California and one
29 public hearing in southern California to review and provide an
30 opportunity for public comment. The commission shall adopt the
31 final guidelines no sooner than 30 days after the commission
32 provides the proposed guidelines to the Joint Legislative Budget
33 Committee and the transportation policy committees in the Senate
34 and the Assembly.

35 2397. On or before March 1, 2019, and annually thereafter, the
36 commission shall provide project update reports on the
37 development and implementation of the program described in this
38 chapter in its annual report to the Legislature prepared pursuant
39 to Section 14535 of the Government Code. A copy of the report
40 shall be provided to the Joint Legislative Budget Committee and

1 the transportation policy committees of both houses of the
2 Legislature. The report, at a minimum, shall include information
3 on each project that received funding under the program, including,
4 but not limited to, all of the following:

5 (a) A summary describing the overall progress of the project
6 since the initial award.

7 (b) Expenditures to date for all project phase costs.

8 (c) A summary of milestones achieved during the prior year
9 and milestones expected to be reached in the coming year.

10 (d) An assessment of how the project is meeting the quantitative
11 and qualitative measurements identified in the project nomination,
12 as outlined in Section 2393.

13 SEC. 45. Section 4000.15 is added to the Vehicle Code, to
14 read:

15 4000.15. (a) Effective January 1, 2020, the department shall
16 confirm, prior to the initial registration or the transfer of ownership
17 and registration of a diesel-fueled vehicle with a gross vehicle
18 weight rating of more than 14,000 pounds, that the vehicle is
19 compliant with, or exempt from, applicable air pollution control
20 technology requirements pursuant to Division 26 (commencing
21 with Section 39000) of the Health and Safety Code and regulations
22 of the State Air Resources Board adopted pursuant to that division.

23 (b) Except as otherwise provided in subdivision (c), for
24 diesel-fueled vehicles subject to Section 43018 of the Health and
25 Safety Code, as applied to the reduction of emissions of diesel
26 particulate matter, oxides of nitrogen, and other criteria pollutants
27 from in-use diesel-fueled vehicles, and Section 2025 of Title 13
28 of the California Code of Regulations as it read January 1, 2017,
29 or as subsequently amended:

30 (1) The department shall refuse registration, or renewal or
31 transfer of registration, for a diesel-fueled vehicle with a gross
32 vehicle weight rating of 14,001 pounds to 26,000 pounds for the
33 following vehicle model years:

34 (A) Effective January 1, 2020, vehicle model years 2004 and
35 older.

36 (B) Effective January 1, 2021, vehicle model years 2007 and
37 older.

38 (C) Effective January 1, 2023, vehicle model years 2010 and
39 older.

1 (2) The department shall refuse registration, or renewal or
2 transfer of registration, for a diesel-fueled vehicle with a gross
3 vehicle weight rating of more than 26,000 pounds for the following
4 vehicle model years:

5 (A) Effective January 1, 2020, vehicle model years 2000 and
6 older.

7 (B) Effective January 1, 2021, vehicle model years 2005 and
8 older.

9 (C) Effective January 1, 2022, vehicle model years 2007 and
10 older.

11 (D) Effective January 1, 2023, vehicle model years 2010 and
12 older.

13 (c) (1) As determined by the State Air Resources Board,
14 notwithstanding effective dates and vehicle model years identified
15 in subdivision (b), the department may allow registration, or
16 renewal or transfer of registration, for a diesel-fueled vehicle that
17 has been reported to the State Air Resources Board, and is using
18 an approved exemption, or is compliant with applicable air
19 pollution control technology requirements pursuant to Division
20 26 (commencing with Section 39000) of the Health and Safety
21 Code and regulations of the State Air Resources Board adopted
22 pursuant to that division, including vehicles equipped with the
23 required model year emissions equivalent engine or otherwise
24 using an approved compliance option.

25 (2) The State Air Resources Board shall notify the department
26 of the vehicles allowed to be registered pursuant to this subdivision.

27 SEC. 46. Section 4156 of the Vehicle Code is amended to read:

28 4156. (a) Notwithstanding any other provision of this code,
29 and except as provided in subdivision (b), the department in its
30 discretion may issue a temporary permit to operate a vehicle when
31 a payment of fees has been accepted in an amount to be determined
32 by, and paid to the department, by the owner or other person in
33 lawful possession of the vehicle. The permit shall be subject to the
34 terms and conditions, and shall be valid for the period of time, that
35 the department shall deem appropriate under the circumstances.

36 (b) (1) The department shall not issue a temporary permit
37 pursuant to subdivision (a) to operate a vehicle for which a
38 certificate of compliance is required pursuant to Section 4000.3,
39 and for which that certificate of compliance has not been issued,
40 unless the department is presented with sufficient evidence, as

1 determined by the department, that the vehicle has failed its most
2 recent smog check inspection.

3 (2) Only one temporary permit may be issued pursuant to this
4 subdivision to a vehicle owner in a two-year period.

5 (3) A temporary permit issued pursuant to paragraph (1) is valid
6 for either 60 days after the expiration of the registration of the
7 vehicle or 60 days after the date that vehicle is removed from
8 nonoperation, whichever is applicable at the time that the temporary
9 permit is issued.

10 (4) A temporary permit issued pursuant to paragraph (1) is
11 subject to Section 9257.5.

12 (c) (1) The department may issue a temporary permit pursuant
13 to subdivision (a) to operate a vehicle for which registration may
14 be refused pursuant to Section 4000.15.

15 (2) Only one temporary permit may be issued pursuant to this
16 subdivision for any vehicle, unless otherwise approved by the State
17 Air Resources Board.

18 (3) A temporary permit issued pursuant to paragraph (1) is valid
19 for either 90 days after the expiration of the registration of the
20 vehicle or 90 days after the date that vehicle is removed from
21 nonoperation, whichever is applicable at the time the temporary
22 permit is issued.

23 (4) A temporary permit issued pursuant to paragraph (1) is
24 subject to Section 9257.5.

25 SEC. 47. Section 9250.6 is added to the Vehicle Code, to read:

26 9250.6. (a) In addition to any other fees specified in this code,
27 or the Revenue and Taxation Code, commencing July 1, 2020, a
28 road improvement fee of one hundred dollars (\$100) shall be paid
29 to the department for registration or renewal of registration of
30 every zero-emission motor vehicle model year 2020 and later
31 subject to registration under this code, except those motor vehicles
32 that are expressly exempted under this code from payment of
33 registration fees.

34 (b) On January 1, 2021, and every January 1 thereafter, the
35 Department of Motor Vehicles shall adjust the road improvement
36 fee imposed under subdivision (a) by increasing the fee in an
37 amount equal to the increase in the California Consumer Price
38 Index for the prior year, except the first adjustment shall cover the
39 prior six months, as calculated by the Department of Finance, with
40 amounts equal to or greater than fifty cents (\$0.50) rounded to the

1 highest whole dollar. The incremental change shall be added to
2 the associated fee rate for that year.

3 (c) Any changes to the road improvement fee imposed by
4 subdivision (a) that are enacted by legislation subsequent to July
5 1, 2017, shall be deemed to be changes to the base fee rate for
6 purposes of the California Consumer Price Index calculation and
7 adjustment performed pursuant to subdivision (b).

8 (d) Revenues from the road improvement fee, after deduction
9 of the department's administrative costs related to this section,
10 shall be deposited in the Road Maintenance and Rehabilitation
11 Account created pursuant to Section 2031 of the Streets and
12 Highways Code.

13 (e) This section does not apply to a commercial motor vehicle
14 subject to Section 9400.1.

15 (f) The road improvement fee required pursuant to this section
16 does not apply to the initial registration after the purchase of a new
17 zero-emission motor vehicle.

18 (g) For purposes of this section, "zero-emission motor vehicle"
19 means a motor vehicle as described in subdivision (d) of Section
20 44258 of the Health and Safety Code, or any other motor vehicle
21 that is able to operate on any fuel other than gasoline or diesel fuel.

22 SEC. 48. (a) On or before January 1, 2019, the Institute for
23 Transportation Studies at the University of California, Davis is
24 requested to prepare and submit to the Governor and the Legislature
25 a report that makes recommendations on potential methodologies
26 to raise revenue from zero-emission and low-emission vehicle
27 owners to achieve the state's transportation electrification, clean
28 air, and climate targets established under law while also ensuring
29 those vehicle owners pay their fair share of any costs borne by
30 motorists to fund improvements to the transportation system.

31 (b) The report shall examine all fees, taxes, and incentives for
32 zero- and low-emission vehicles, and other vehicles, and shall
33 make recommendations for options that ensure the purchase and
34 ownership of zero- and low-emission vehicles are properly
35 incentivized to assist in meeting state clean air and climate targets,
36 while also ensuring appropriate levels of funding for roads and
37 transportation.

38 (c) The study shall assess annual fees on zero-emission vehicles
39 or other vehicles not otherwise subject to state fuel excise or use
40 taxes and compare that to the average annual state fuel excise tax

1 assessed on gasoline or diesel vehicles with equivalent fuel
2 economy.

3 (d) The Institute shall consult with the State Air Resources
4 Board, the Department of Transportation, the Department of Motor
5 Vehicles, and the State Board of Equalization in preparing the
6 report.

7 (e) This report shall be submitted in compliance with Section
8 9795 of the Government Code.

9 SEC. 49. Guidelines adopted to implement transportation
10 programs in this act by the California Transportation Commission,
11 the Department of Transportation, the Transportation Agency, or
12 any other state agency shall be exempt from the Administrative
13 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
14 Part 1 of Division 3 of Title 2 of the Government Code).

15 SEC. 50. This act is an urgency statute necessary for the
16 immediate preservation of the public peace, health, or safety within
17 the meaning of Article IV of the Constitution and shall go into
18 immediate effect. The facts constituting the necessity are:

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