

AMENDED IN SENATE APRIL 3, 2017

AMENDED IN SENATE MARCH 30, 2017

AMENDED IN SENATE JANUARY 26, 2017

**SENATE BILL**

**No. 1**

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**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

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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.

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

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

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

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

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

20 14033. On or before January 1, 2018, the department shall  
21 update the Highway Design Manual to incorporate the "complete  
22 streets" design concept.

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

25 14110. Consistent with federal and state laws and regulations,  
26 including, but not limited to, the department's goal setting  
27 methodology as approved by the Federal Highway Administration,  
28 the department shall develop a plan by January 1, 2020, to increase  
29 by up to 100 percent the dollar value of contracts and procurements  
30 awarded to small businesses, disadvantaged business enterprises,  
31 and disabled veteran business enterprises. The plan shall include  
32 the use of targeted media, including minority and women business  
33 enterprises, to outreach to these businesses and shall be provided  
34 to the Legislature pursuant to Section 9795.

35 SEC. 5. Chapter 5 (commencing with Section 14460) is added  
36 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.

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

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

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

23 (e) Any increases to the taxes imposed under subdivisions (a),  
24 (b), and (c) that are enacted by legislation subsequent to July 1,  
25 2017, shall be deemed to be changes to the base tax rates for  
26 purposes of the California Consumer Price Index calculation and  
27 adjustment performed pursuant to subdivision (d).

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

30 7361.2. (a) For the privilege of storing, for the purpose of sale,  
31 each supplier, wholesaler, and retailer owning 1,000 or more  
32 gallons of tax-paid motor vehicle fuel on November 1, 2017, shall  
33 pay a storage tax, the rate of which shall be determined by the  
34 board pursuant to the difference in the rate of the tax on motor  
35 vehicle fuel in effect on October 31, 2017, and the rate in effect  
36 on November 1, 2017, on tax-paid motor vehicle fuel in storage  
37 according to the volumetric measure thereof.

38 (b) For purposes of this section:

39 (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

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

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

19 (e) In the 2014–15 fiscal year, the Department of Transportation,  
20 in consultation with the Department of Parks and Recreation and  
21 the Department of Motor Vehicles, shall undertake a study to  
22 determine the appropriate adjustment to the amount transferred  
23 pursuant to subdivision (b) and to update the estimate of the amount  
24 attributable to taxes imposed upon distributions of motor vehicle  
25 fuel used in the operation of motor vehicles off highway and for  
26 which a refund has not been claimed. The department shall provide  
27 a copy of this study to the Legislature no later than January 1,  
28 2016.

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

31  
32 CHAPTER 6. TRANSPORTATION IMPROVEMENT FEE

33  
34 11050. For purposes of this chapter, the following terms have  
35 the following meanings:

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

37 (1) The research, planning, construction, improvement,  
38 maintenance, and operation of public streets and highways (and  
39 their related public facilities for nonmotorized traffic), including  
40 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:

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

18 (b) Commencing with the 2017–18 fiscal year, two hundred  
19 fifty million dollars (\$250,000,000) shall annually be deposited  
20 into the State Highway Account for appropriation by the annual  
21 Budget Act to the Congested Corridor Program created pursuant  
22 to Section 2391 of the Streets and Highways Code. The Controller  
23 shall, each month, set aside one-twelfth of this amount, to  
24 accumulate a total of two hundred fifty million dollars  
25 (\$250,000,000) in each fiscal year.

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

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

32 60050. (a) (1) A tax of sixteen cents (\$0.16) is hereby imposed  
33 upon each gallon of diesel fuel subject to the tax in Sections 60051,  
34 60052, and 60058.

35 (2) If the federal fuel tax is reduced below the rate of fifteen  
36 cents (\$0.15) per gallon and federal financial allocations to this  
37 state for highway and exclusive public mass transit guideway  
38 purposes are reduced or eliminated correspondingly, the tax rate  
39 imposed by paragraph (1) shall be increased by an amount so that  
40 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.

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

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

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

15 60201.4. On or before January 1, 2018, each person subject to  
 16 the storage tax imposed under Section 60050.2 shall prepare and  
 17 file with the board, in a form prescribed by the board, a return  
 18 showing the total number of gallons of tax-paid diesel fuel owned  
 19 by the person on November 1, 2017, the amount of the storage  
 20 tax, and any other information that the board deems necessary for  
 21 the proper administration of this part. The return shall be  
 22 accompanied by a remittance payable to the board in the amount  
 23 of tax due.

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

27  
 28 Article 2.5. Advance Mitigation Program

29  
 30 800. (a) The Advance Mitigation Program is hereby created  
 31 to enhance communications between the department and  
 32 stakeholders to protect natural resources through project mitigation,  
 33 to meet or exceed applicable environmental requirements, to  
 34 accelerate project delivery, and to fully mitigate environmental  
 35 impacts from transportation infrastructure projects. The department  
 36 shall consult on all activities pursuant to this article with the  
 37 Department of Fish and Wildlife, including activities pursuant to  
 38 Chapter 9 (commencing with Section 1850) of Division 2 of the  
 39 Fish and Game Code.

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

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

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

12  
13 CHAPTER 2. ROAD MAINTENANCE AND REHABILITATION  
14 PROGRAM  
15

16 2030. (a) The Road Maintenance and Rehabilitation Program  
17 is hereby created to address deferred maintenance on the state  
18 highway system and the local street and road system. Funds made  
19 available by the program shall be prioritized for expenditure on  
20 basic road maintenance and road rehabilitation projects, and on  
21 critical safety projects.

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

24 (A) Road maintenance and rehabilitation.

25 (B) Safety projects.

26 (C) Railroad grade separations.

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

31 (E) Traffic control devices.

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

35 (c) To the extent possible and cost effective, and where feasible,  
36 the department and cities and counties receiving funds under the  
37 program shall use advanced technologies and material recycling  
38 techniques that reduce the cost of maintaining and rehabilitating  
39 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.

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

6 (b) After deducting the amounts appropriated in the annual  
7 Budget Act pursuant to Section 2031.5 and the amount allocated  
8 in subdivision (a), beginning in the 2017–18 fiscal year, one  
9 hundred million dollars (\$100,000,000) of the remaining revenues  
10 shall be available annually for expenditure, upon appropriation by  
11 the Legislature, on the Active Transportation Program created  
12 pursuant to Chapter 8 (commencing with Section 2380) of Division  
13 3 to be allocated by the California Transportation Commission  
14 pursuant to Section 2381. The Controller shall each month set  
15 aside one-twelfth of this amount, to accumulate a total of one  
16 hundred million dollars (\$100,000,000) in each fiscal year.

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

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

36 (e) After deducting the amounts appropriated in the annual  
37 Budget Act pursuant to Section 2031.5 and the amounts allocated  
38 in subdivisions (a), (b), (c), and (d), in the 2017–18, 2018–19,  
39 2019–20, 2020–21, and 2021–22 fiscal years, from revenues in  
40 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.

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

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

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

18 (g) (1) Transfers of revenues from the Highway Users Tax  
19 Account to counties pursuant to this section collected during the  
20 months of March, April, May, June, and July of 2008, shall be  
21 made with the transfer of August 2008 revenues in September of  
22 2008. This suspension shall not apply to a county with a population  
23 of less than 40,000.

24 (2) For the purpose of meeting the cash obligations associated  
25 with ongoing budgeted costs, a county may make use of any cash  
26 balance in its county road fund, including that resulting from the  
27 receipt of funds pursuant to the Highway Safety, Traffic Reduction,  
28 Air Quality, and Port Security Bond Act of 2006 (Chapter 12.49  
29 (commencing with Section 8879.20) of Division 1 of Title 2 of  
30 the Government Code (hereafter bond act)) for local streets and  
31 roads maintenance, during the period of this suspension, without  
32 the use of this cash being reflected as an expenditure of bond act  
33 funds, provided the cash is replaced once this suspension is repaid  
34 in September of 2008. Counties may accrue the revenue received  
35 in September 2008 as repayment of these suspensions for the  
36 months of April, May, and June of 2008 back to the 2007–08 fiscal  
37 year. Nothing in this paragraph shall change the fact that  
38 expenditures must be accrued and reflected from the appropriate  
39 funding sources for which the moneys were received and meet all  
40 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.

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

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

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

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

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

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

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

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 (hereafter bond act)) for local streets and roads maintenance,  
39 during the period of this suspension, without the use of this cash  
40 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.