



# Santa Cruz County Regional Transportation Commission

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## Transportation Policy Workshop

### AGENDA

Thursday, March 18, 2010  
9:00 a.m.

NOTE LOCATION THIS MONTH  
SCCRTC Conference Room  
1523 Pacific Ave  
Santa Cruz Ca

1. Introductions
2. Oral communications

*Any member of the public may address the Commission for a period not to exceed three minutes on any item within the jurisdiction of the Commission that is not already on the agenda. The Commission will listen to all communication, but in compliance with State law, may not take action on items that are not on the agenda*

*Speakers are requested to sign the sign-in sheet so that their names can be accurately recorded in the minutes of the meeting.*

3. Additions or deletions to consent and regular agendas

### CONSENT AGENDA

*All items appearing on the consent agenda are considered to be minor or non-controversial and will be acted upon in one motion if no member of the RTC or public wishes an item be removed and discussed on the regular agenda. Members of the Commission may raise questions, seek clarification or add directions to Consent Agenda items without removing the item from the Consent Agenda as long as no other Commissioner objects to the change.*

*No consent items*

**REGULAR AGENDA**

4. State and federal legislative update  
(*Luis Mendez, Deputy Director*)
  - a. Staff report
  - b. Summary of "Gas Tax Swap" proposal passed by the legislature
  - c. Transportation budget update from JEA & Associates
  - d. Summary of House bill extending SAFETEA-LU
5. Review of items to be discussed in closed session

**CLOSED SESSION**

6. Conference with Real Property Negotiator Pursuant to Government Code 54956.8 for acquisition of the Santa Cruz Branch Rail Line Property: Santa Cruz Branch Rail Line from Watsonville Junction to Davenport

Agency Negotiator: Kirk Trost, Miller Owen & Trost

Negotiation Parties: SCCRTC, Union Pacific

Under Negotiation: Price and Terms

7. Conference with Labor Negotiators Pursuant to Government Code 54957.6

Commission Negotiators: George Dondero and Yesenia Parra

Bargaining Units: Mid-Management Unit and General Representation Unit

8. Annual Performance Review for Executive Director pursuant to Government Code 54957

**OPEN SESSION**

9. Report on closed session
10. Next meetings

The next SCCRTC meeting is scheduled for Thursday, April 1, 2010 at 9:00 a.m. at the Board of Supervisors Chambers, 701 Ocean St, Santa Cruz, CA.

The next Transportation Policy Workshop is scheduled for April 15, 2010 at 9:00 am at the SCCRTC Offices, 1523 Pacific Avenue, Santa Cruz, CA.

## **HOW TO REACH US**

*Santa Cruz County Regional Transportation Commission  
1523 Pacific Avenue, Santa Cruz, CA 95060  
phone: (831) 460-3200 / fax (831) 460-3215  
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## **HOW TO STAY INFORMED ABOUT RTC MEETINGS, AGENDAS & NEWS**

**Broadcasts:** *Many of the meetings are broadcast live. Meetings are cablecast by Community Television of Santa Cruz. Community TV's channels and schedule can be found online ([www.communitytv.org](http://www.communitytv.org)) or by calling (831) 425-8848.*

**Agenda packets:** *Complete agenda packets are available at the RTC office, on the RTC website ([www.sccrtc.org](http://www.sccrtc.org)), and at the following public libraries:*

- Aptos Branch Library
- Branciforte Library
- Central Branch Library
- Scotts Valley Library
- Watsonville Library

*For information regarding library locations and hours, please check online at [www.santacruzpl.org](http://www.santacruzpl.org) or [www.watsonville.lib.ca.us](http://www.watsonville.lib.ca.us).*

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## **HOW TO REQUEST**

### **❖ ACCOMMODATIONS FOR PEOPLE WITH DISABILITIES**

*The Santa Cruz County Regional Transportation Commission does not discriminate on the basis of disability and no person shall, by reason of a disability, be denied the benefits of its services, programs, or activities. This meeting location is an accessible facility. If you wish to attend this meeting and require special assistance in order to participate, please contact RTC staff at 460-3200 (CRS 800/735-2929) at least three working days in advance of this meeting to make arrangements. People with disabilities may request a copy of the agenda in an alternative format. As a courtesy to those person affected, Please attend the meeting smoke and scent-free.*

**❖ SERVICIOS DE TRADUCCIÓN/ TRANSLATION SERVICES**

*Si gusta estar presente o participar en esta junta de la Comisión Regional de Transporte del condado de Santa Cruz y necesita información o servicios de traducción al español por favor llame por lo menos con tres días laborables de anticipo al (831) 460-3200 para hacer los arreglos necesarios. (Spanish language translation is available on an as needed basis. Please make advance arrangements (at least three days in advance by calling (831) 460-3200.*

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AGENDA: March 18, 2010

**TO:** Transportation Policy Workshop of the Regional Transportation Commission  
**FROM:** Luis Pavel Mendez, Deputy Director  
**REGARDING:** State and Federal Legislation

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### ***RECOMMENDATIONS***

Staff recommends that the Regional Transportation Commission (RTC) accept a report on state and federal legislative efforts.

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### **BACKGROUND**

At its March 4<sup>th</sup> meeting, the RTC received a report regarding the "Gas Tax Swap" proposals from both the Governor and the State Legislature as one of the measures to address the State's budget crisis. The "Gas Tax Swap" proposals would replace the current sales tax on gasoline with an increase to the excise tax on gasoline.

At the federal level after an unprecedented shut down of the Department of Transportation, the federal transportation law was extended to March 28<sup>th</sup> and the House of Representatives approved an extension to December 31<sup>st</sup>.

### **DISCUSSION**

#### **State "Gas Tax Swap"**

On March 4<sup>th</sup>, the State Legislature passed budget bills ABx8 6 and ABx8 9, which contain the provisions for a "Gas Tax Swap." The bills are currently waiting for the Governor's signature. [Attachment 1](#) provides a summary of the proposal from the League of California Cities and [Attachment 2](#) provides a summary from JEA & Associates of the progression of "Gas Tax Swap" proposals. The proposal approved by the State Legislature repeals the sales tax on gasoline and replaces it with a 17.3 cent gas tax that will be indexed to keep pace with anticipated sales tax revenues. The sales tax on diesel will remain and increase 1.75%, while the excise tax on diesel will be reduced from 18 cents to 13.6 cents. The revenue from the diesel fuel tax will go to transit. The proposal no longer includes authority for regional agencies to place a local gas tax before the voters for consideration. If the bills are signed by the Governor protections for transportation funding will be weakened and it will be possible to divert them to other uses more easily. If there is more current information on this "Gas Tax Swap" by March 18<sup>th</sup>, staff will provide the information at the meeting.

#### **Federal Transportation Law**

As reported previously, the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which provides on-going funding for federal transportation

programs, expired in September 2009. Since then SAFETEA-LU has continued with short term extensions. One of those extensions ended on February 28<sup>th</sup> and forced a 2-day shut down of the Department of Transportation due to the objections of one Senator. SAFETEA-LU was extended for one more month on March 2<sup>nd</sup>. On March 4<sup>th</sup>, the House of Representatives passed HR 2847, which extend SAFETEA-LU to December 31<sup>st</sup>. Attachment 3 provides a brief summary of the bill from the American Association of State Highway and Transportation Officials (AASHTO). HR 2847 is a significantly scaled down version of Jobs Bill passed by the House in December. Therefore, it does not include any new federal stimulus funds for transportation. It is expected that the Senate will consider the bill within the next two weeks. If there is more current information on this SAFETEA-LU extension by March 18<sup>th</sup>, staff will provide the information at the meeting.

## **SUMMARY**

The State Legislature has passed a "Gas Tax Swap" proposal that is now waiting for the Governor's signature. The House of Representatives has passed a scaled down Jobs Bill that does not include any new federal stimulus funds for transportation but extends SAFETEA-LU to the end of the year. Attachments 1, 2 and 3 provide summaries of these two legislative items.

### Attachments:

1. Summary of "Gas Tax Swap" proposal passed by the legislature
2. Transportation budget update from JEA & Associates
3. Summary of House bill extending SAFETEA-LU

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2010-03-10

## Legislature Passes Gas Tax Swap Package

### Regional Fee Removed, Constitutional Protection Concerns Remain

The Senate and Assembly passed ABx8 6 (Budget) and ABx8 9 (Budget) on Thursday, March 4, which contain the provisions for the Transportation Funding Swap Proposal. The swap was once again revised from the last proposal released on Feb. 22. ABx8 6 and ABx8 9 currently await Gov. Arnold Schwarzenegger's action.

Unlike previous proposals, the final swap package does not authorize a new locally-imposed fee on gasoline to fund transit, bicycle, and pedestrian projects. The proposal increases the local streets and roads share from 40 percent to 44 percent, apparently providing increased funding for local streets and roads. However, it also continues to have some of the same problems as the previous two proposals, including weakened constitutional protections and vulnerability for cities if state debt service increases in the future.

The proposal does not limit deductions allowed for business-related net operating losses to 68 percent for the 2010 tax year or delay certain corporation tax credits adopted in prior budgets until the 2011 tax year. These provisions were included in previous versions to provide relief to the state general fund, but were opposed by the Governor.

In brief, the swap contains the following major components:

1. Repeals the sales tax on gasoline;
2. Increases the excise tax on gasoline by 17.3 cents and adds an annual index that will ensure that the new excise tax will keep pace with the revenues expected from the sales tax on gas; and
3. Increases the sales tax on diesel by 1.75 percent and allocate 75 percent to local transit agencies and 25 percent to state transit programs. The excise tax on diesel will be reduced from 18 cents to 13.6 cents for revenue neutrality purposes.

### Sales-Excise Tax Swap

The sales tax on gasoline is currently 6 percent but will go back down to 5 percent in FY 2011-12. At \$3 per gallon, the 6 percent sales tax on gasoline equates to about 18 cents per gallon. The proposal would repeal the sales tax on gas, and create a new excise tax of 17.3 cents per gallon beginning July 1, 2010. Beginning in FY 2011-12, the Board of Equalization would be required to adjust the tax so that it is consistent with the estimated revenues from the repealed 5 percent sales tax on gas.

Revenues will be allocated as follows in FY 2010-11:

1. Transportation debt service;
2. \$54 million monthly set aside for future appropriation by the legislature; and
3. Split :
  - a. 50 percent State Transportation Improvement Program (STIP); and
  - b. 50 percent evenly split between cities and counties using current Highway User Tax Account (HUTA) formulas.

Beginning in FY 2011-12, the revenues will be allocated as follows:

1. Transportation debt service; and
2. Split :
  - a. 44 percent STIP;
  - b. 12 percent State Highway Operation and Protection Program; and
  - c. 44 percent evenly split between cities and counties using current HUTA formulas.

The proposal to eliminate the sales tax on gas would not impact local sales tax implemented pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law.

### Taxes on Diesel

The sales tax on diesel currently provides \$313 million to transit programs equally divided between local transit agencies and state transit programs. The proposal would increase the sales tax on diesel by 1.75 percent and allocate 75 percent to local transit agencies and 25 percent to state transit programs. To keep the package revenue neutral, the excise tax on diesel will be reduced from 18 cents to 13.6 cents.

Transit associations have indicated that they are supportive of these provisions, as it will give them more funding than they are actually receiving now (note: current law provides more funding on paper, but transit funding has been diverted by the legislature in recent years, and transit has rarely seen what they are supposed to receive).

### Appropriation from Public Transit Account

The package also appropriates \$400,000 in FY 2009-10 from the Public Transportation Account, and provides some additional flexibility to

transit agencies. This will provide transit some funding up front to avoid service and personnel cuts this year.

last updated : 3/5/2010



March 10, 2010

To: All Clients

From: John Arriaga, JEA & Associates

Re: Budget Update – Transportation Issues

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On January 8, 2010, Governor Schwarzenegger rolled out his proposed 2010-11 budget outlining a strategy to eliminate a combined \$19.9 billion deficit: \$6.6 billion in 2009-10 and \$12.3 billion in 2010-11. The \$19.9 billion deficit includes a \$1 billion reserve.

**Governor Schwarzenegger's Plan**

That portion of the budget relating to transportation funding would significantly change how the state both generates revenues and allocates those monies to the various transportation programs. His proposal would:

- Eliminate the state sales tax on gas and diesel, reducing revenues by \$2.8 billion. The proposal would partially offset the revenue loss with a 10.8 cents per gallon gas tax increase, which would generate about \$1.9 billion to be allocated as follows:
  - \$629 million for state highways
  - \$629 million for local roads
  - \$603 million for debt service on transportation bonds
  - \$400 million in transportation funds for other General Fund debt-service costs

- Transportation revenues would thus be reduced by about \$1 billion in 2010-11. While this would ostensibly give drivers a five cents per gallon tax cut, it would essentially eliminate any new state funding for public transit and rail for 2009-10.
- While there would be an ongoing dedicated revenue source for transportation debt service, from 2010-11 out there would be no future state funds for transit and rail.

### **Senate Democrats' Alternative Plan – February 16: Part I**

Concerned that transit agencies were being decimated by several years of state raids on constitutionally protected, dedicated revenues (litigated and won but still unrepaid), Senate Democrats, in collaboration with the California Transit Association and transportation advocates framed an alternative proposal that was approved February 16 by a vote of 8-2 in the Senate Budget and Fiscal Review Committee.

The thrust of the Democrats' alternative plan was the elimination of state sales tax on gasoline, replacing that sales tax with an excise tax on gas. That would allow the state to account for gasoline taxes in a different way that save the state \$920 million in General Fund dollars. The proposal would cut the \$19.9 billion deficit by nearly \$1.6 billion. Drivers would save roughly three cents per gallon in 2010-11.

Transit agencies would lose out under the Democrats' plan but not as much as under Schwarzenegger's proposal. The Democrats' plan would preserve sales tax on diesel fuel, generating an estimated \$313 million annually. The state also would give transit agencies \$400 million for operations out of an existing transportation account.

Key to the Democrats' plan was the provision to allow local governments to place on the ballot an additional fee on gasoline to pay for transit, to be approved by a majority vote.

Between February 17 and March 4, the gas-tax swap plan stalled because the Schwarzenegger administration was concerned about cuts to corporate tax breaks and the transit/transportation community was only luke warm about the proposal. In fact, the League of California Cities actively opposed the two measures containing the swaps

### **Senate Democrats' Alternative Plan – March 4: Part II**

On Thursday, March 4, the Legislature offered an alternative to the Governor's tax swap proposal that is seen as a "divorce" from the General Fund. This alternative, while providing General Fund relief also restores transportation funding levels both today and into the future. ABX8 6 and ABX8 9 passed by both houses would follow the Governor's approach in swapping the growing sales tax on fuels for a declining excise tax on gas. However, this alternative is an improvement in several ways.

First, it would immediately provide an equal replacement level of funding without a tax reduction as proposed by the Governor. Second, it would include an annual adjustment to ensure that the replacement tax reflects the same amount of revenue that would have been generated through the current sales tax addressing the problem

of exchanging a growing revenue stream with a declining one. This provides a truly revenue neutral approach compensating for what would have been a reduction in transportation investments into the future. Third, this alternative would partially restore the transit funding providing necessary levels of operating for both transit and intercity rail. A controversial regional fee authority for transit, bicycles and pedestrian travel was dropped from the alternative proposal.

While these bills are headed to the Governor for his consideration, a spokeswoman for Schwarzenegger says he hasn't decided to sign the measures because lawmakers sent no legislation to help create jobs. An additional sticking point is that the latest Democrat proposal does not include the \$800 million in savings that would have been achieved by lowering the minimum calculation for Proposition 98 (education) funding.

March 4, 2010

## House Approves 10-Month Extension, Returns Bill to Senate

The House of Representatives approved an amended job-creation bill this afternoon that would extend Highway Trust Fund authorization until Dec. 31, deposit \$19.5 billion of general revenue into the Highway Trust Fund, restore this fiscal year's highway funding to \$42 billion from \$30 billion, and offer additional federal support for states and localities that wish to issue Build America Bonds to finance infrastructure construction.

By a vote of [217-201](#), the House sent the measure ([HR 2847](#)) back to the Senate. Senators had approved the bill last week by a vote of [70-28](#) after overcoming a Republican filibuster. The Highway Trust Fund's authority lapsed Sunday after the House did not act on the 10-month extension last week and after Sen. Jim Bunning, R-KY, held up a separate bill extending authorization by 30 days. Federal Highway Administration reimbursements to state transportation departments ceased Monday and Tuesday and the U.S. Department of Transportation furloughed some 2,000 employees until the Senate was able to clear the measure and President Barack Obama signed it late Tuesday night.

The jobs measure approved today by the House would be the fifth short-term extension of the 2005 transportation authorization law known as "SAFETEA-LU," which expired Sept. 30, 2009. Under the fourth extension approved Tuesday night, Highway Trust Fund authorization now lapses March 28. Work continues in Congress on a full six-year surface transportation authorization, which has been delayed over funding concerns.

Today's House version of the jobs bill includes \$15 billion worth of payroll tax breaks for small businesses that hire new workers and Build America Bonds financing support for state and local infrastructure projects. The House amendment adopted today includes a few minor changes from the version passed last week by the Senate. Those changes include reiterating existing federal law requiring state DOTs to award at least 10 percent of their contracts to "small business concerns owned and controlled by socially and economically disadvantaged individuals." This provision was added to address concerns of the Congressional Black Caucus, CQ Politics reported. Some CBC members had been withholding their support for the measure over concerns it doesn't do enough to address job creation for minorities.

Another change adopted by the House would add a year to the date of implementation of the worldwide interest allocation tax break -- which would begin in 2020 rather than 2019 under the Senate bill -- to offset the cost of the measure's tax cuts and bond provisions.

"At the end of a tumultuous week, which included the unprecedented shutdown of federal highway, transit, and safety programs, the House has now acted to put transportation back on a sound footing for the remainder of the year," said AASHTO Executive Director John Horsley. "Enactment of [HR 2847](#) will allow states to move forward into the spring construction season, creating jobs and rebuilding aging highways, bridges, and transit systems. In addition, the bill restores the federal highway program to the levels achieved last year, repairing the \$1 billion a month cut that has been in place since last September. It ensures sufficient funds for the Highway Trust Fund to keep federal programs running. Finally, it provides enough time for Congress to develop and enact the multiyear highway and transit authorization that is needed for America's economic recovery and job restoration. We

urge the Senate to speed this legislation to the president for signature."

What enabled the legislation to move forward in the House was an agreement struck among House Transportation and Infrastructure Committee Chairman James Oberstar, D-MN, House Speaker Nancy Pelosi, D-CA, and Senate Majority Leader Harry Reid, D-NV, regarding funding formulas for two discretionary highway categories: Projects of National and Regional Significance and the National Corridor Infrastructure Improvement Program.

Oberstar said on the floor this afternoon that the agreement is to modify the two highway formulas in future legislation to distribute the funds more equitably to all states. Oberstar urged representatives to approve the amendment and return the bill to the Senate.

"What we are doing here is restoring stability to the highway, bridge, safety, and transit programs, providing certainty for states so they can award bids, they can advertise bids, and keep contracts going," Oberstar said. "I hope we can correct this measure and I will do everything I can to correct it to ensure fairness for all 50 states in the distribution of the funds they send to Washington. ... We'll restore the funding formulas to the way it is intended in SAFETEA-LU."

In addition to the 10-month authorization extension, \$19.5 billion in interest payments for the Highway Trust Fund, restoring FY 2010 highway levels to \$42 billion, and extra support for Build America Bonds, the bill also would change federal law to ensure the trust fund receives future interest payments and to shift the burden of paying for motor-fuel-tax exemptions to the General Fund.

*Questions regarding this article may be directed to [editor@ashtojournal.org](mailto:editor@ashtojournal.org).*