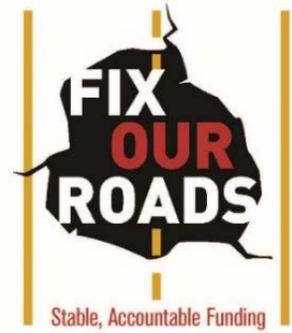


To: The Honorable Edmund G. Brown, Jr., Governor, State of California
Honorable Members, California State Legislature

From: Michael Quigley, Executive Director, California Alliance for Jobs
Jose Mejia, Director, California State Council of Laborers
Mark Breslin, Chief Executive Officer, United Contractors
Cesar Diaz, Legislative Director, State Building & Construction
Trades Council of California
Will Kempton, Executive Director, Transportation California
Chris McKenzie, Executive Director, League of California Cities
Matt Cate, Executive Director, California State Association of Counties
Rob Lapsley, President, California Business Roundtable



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Date: May 19, 2016

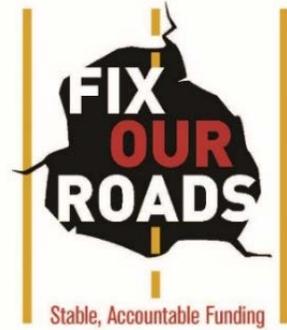
Re: Call to Action – Roadmap to Consensus

It has been just less than a year since Governor Brown convened a Special Session to address the condition of our state's transportation system. To date, there has been little progress made in finding a solution. Today, industry, local government associations, labor and business gathered on the south steps of the State Capitol to deliver a strong message: Fix Our Roads!

Attached is a Roadmap to Consensus – our proposal to bring all parties together to solve this serious problem. This Roadmap draws the best concepts from Republican reform proposals, from the Governor's Budget Plan, and from legislation introduced by Senator Beall and Assembly Member Frazier.

The Fix Our Roads Coalition calls on all legislators and the Administration to move forward with a consensus package to adequately fund and improve the state and local transportation system. The time to act is NOW. We look forward to working with our elected leaders in coming to a solution and hope this document will provide a basis for a compromise.

Fix Our Roads Coalition – Roadmap to Consensus



The Fix Our Roads (FOR) Coalition - a group of industry, labor, business and governmental associations and organizations - has been engaged for the past year in an effort to address the serious deterioration of our state and local roads and mass transit systems by urging Governor Brown and the Legislature to agree on a plan that would more efficiently use existing transportation dollars and provide new revenue to fix years of neglect. In response to this crisis, Governor Brown has included a plan in his proposed 2016-17 state budget and comprehensive legislation has been introduced by Senator Jim Beall and Assembly Member Jim Frazier. In addition, several Republican legislators have proposed a variety of reforms designed to improve state and local transportation processes. These measures set the framework for the Legislature to come together in support of a consensus solution.

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The need for immediate action has become even more critical with this week's announcement that the California Transportation Commission (CTC) is expected to cut \$754 million worth of specific projects from the State Transportation Improvement Program (STIP) and will have to delay another \$755 million in STIP work. This will impact \$1.5 billion in projects throughout the state because the drop in gasoline prices over the past two years is resulting in the loss of more than \$1.1 billion annually in gas tax revenue.

The FOR Coalition has adopted seven priorities for a bipartisan transportation reform and funding package that must be enacted in 2016. These priorities call for a package that: 1) makes a significant investment in transportation infrastructure, 2) focuses on maintaining and rehabilitating our current system, 3) invests new revenue into high priority goods movement, 4) raises revenue across a broad range of options, 5) splits revenues equally between the state and local systems, 6) provides for strong accountability requirements to protect the taxpayers' investment, and 7) provides consistent annual funding levels.

To encourage a legislative consensus that is consistent with these priorities, the FOR Coalition offers the following transportation reform and funding provisions which have been taken directly from pending proposals in both the Senate and Assembly and the Governor's proposed transportation plan as a way to meet our urgent transportation infrastructure needs.

Reforms/Other Provisions

- Enact sensible CEQA reforms to expedite transportation project delivery and cost-effectiveness. Potential CEQA reforms for transportation projects could include:
 - Relief for transportation projects in the existing right-of-way;

- Relief for transportation projects within an approved Sustainable Communities Strategy or equivalent plan proven to reduce GHGs and help meet the State's climate goals;
- Allow the project-level EIR of a transportation project for which a master or program EIR has been prepared to be limited to changed circumstances and new information only;
- Limit environmental review of an approved RTP to the first ten years.
- Create the Office of Inspector General to examine transportation programs for inefficiencies and opportunities to improve best practices in project resource allocation.
- Expand the Federal Exchange and State Match Program to reduce duplicative federal processes and environmental review in addition to state requirements.
- Make permanent current law regarding NEPA Delegation authority.
- Increase the threshold under which the Caltrans encroachment permit process is triggered from \$1 million to \$3 million.
- Enact an Advanced Mitigation Program.
- Dedicate and constitutionally protect existing and new revenues for transportation.
- Provide for transparency and accountability of expenditures at the state and local levels.
- Require recipient agencies to meet measureable targets for performance or face the loss or suspension of future funding.
- Require cities and counties to adopt a maintenance of effort.
- Require CTC allocation of SHOPP support costs.
- Provide flexibility to the Caltrans Director to make appropriate decisions on contracting out to meet State staffing needs.
- Eliminate the sunset on the authorization of Public Private Partnerships.

Restoring Lost Revenues

- Fully restore truck weight fees for transportation projects over a five year period by returning \$200 million annually to transportation accounts which will generate \$1 billion annually at the end of five years.
- Reset the price-based gas excise tax rate to its original rate of 17.3 cents which generates an additional \$900 million annually and would restore CTC STIP funding cuts and equivalent cuts to city and county road maintenance dollars.
- Repay all existing General Fund transportation loans to the programs from which they were taken by June 2019 – approximately \$700 million in one-time revenues.
- Return the portion of the Prop 42 replacement revenues attributable to the sale of fuels for off-highway purposes back to transportation projects (to date, approximately \$804 million has been diverted to the General Fund) – approximately \$100 million annually.
- Return all non-Article XIX protected funds back to transportation, which are currently being diverted to the General Fund – approximately \$65 million a year.

New Revenues

- Increase the gas excise tax by 12 cents to be phased in over three years which will generate \$1.8 billion annually in year three.
- Increase the diesel excise tax by 11 cents which will generate \$300 million annually.
- Create a road access fee of \$65 which will generate \$2 billion annually.
- Levy a zero emission vehicle fee of \$100 which will generate \$10 million annually.
- Invest \$500 million in cap and trade auction proceeds.
- Increase the diesel sales tax rate from 1.75% to 5.25% which will generate \$300 million.
- Index the base excise tax, the 12-cent base excise tax increase, the price-based gas tax and the diesel excise tax annually.

Allocation of Revenue

- Share the gas excise tax, road access fee, and the zero emissions vehicle fee revenue, including any indexing, evenly between state highways and local streets and roads.
- The revenue from the price-based gas excise tax reset, including indexing, would flow through the existing formula: 44% STIP, 44% LSR, and 12% SHOPP.
- Apply the diesel excise tax revenues to the Trade Corridors Improvement Fund.
- Apply the diesel sales tax revenues to the State Transit Assistance program.
- Allocate \$100 million to complete streets and \$400 million to the Transit and Intercity Rail Capital Program from the cap and trade funds.

ONE TIME REVENUES	\$0.7 BILLION	
	FIRST YEAR	FIFTH YEAR
ON-GOING RESTORED REVENUES	\$1.2 BILLION	\$2.0 BILLION
ON-GOING NEW REVENUES	\$3.7 BILLION	\$4.9 BILLION
ESTIMATED ON-GOING ANNUAL REVENUE	\$4.9 BILLION	\$6.9 BILLION

In summary, this package is based on proposals already included in the Governor's Budget and in proposals pending before the Legislature. The ball is in the court of our elected officials here in Sacramento. While expressing appreciation to the Governor and the bill authors who have stepped up to offer solutions to the transportation infrastructure crisis, the FOR Coalition calls on all legislators and the Administration to move forward with a consensus package to adequately fund and improve the State's transportation program. Together with the Governor's plan and current legislative proposals, this document provides the basis for that compromise.