

June 7, 2017

Initiative Coordinator  
Office of the Attorney General  
1300 I Street, 17th Floor  
Sacramento, California 95814

**RECEIVED**

**JUN 07 2017**

**INITIATIVE COORDINATOR  
ATTORNEY GENERAL'S OFFICE**

Dear Initiative Coordinator:

I am the proponent of Initiative 17-0004, "Repeal the Gas Tax." Attached, please find amended language for the initiative.

Pursuant to Elections Code Section 9002(b), I hereby and request a circulating title and summary be prepared using the amended language.

Sincerely,



Travis Allen

**SECTION 1.** Section 14033 of the Government Code is repealed:

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

**SEC. 2.** Section 14110 of the Government Code is repealed:

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

**SEC. 3.** Chapter 5 (commencing with Section 14460) of Part 5 of Division 3 of Title 2 of the Government Code is repealed:

**CHAPTER 5. Department of Transportation independent Office of Audits and Investigations**

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

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

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

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

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

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

(c) The Inspector General is vested with the full authority to exercise all responsibility for maintaining a full scope, independent, and objective audit and investigation program as prescribed by Sections 1237, 13885, 13886.5, 13887.5, and 13888, including, but not limited to, those activities described in Section 14461.

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

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

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

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

**SEC. 4.** Section 14526.5 of the Government Code is amended to read:

**14526.5.** (a) Based on the asset management plan prepared and approved pursuant to Section 14526.4, the department shall prepare a state highway operation and protection program for the expenditure of transportation funds for major capital improvements that are necessary to preserve and protect the state highway system. Projects included in the program shall be limited to capital improvements relative to the maintenance, safety, operation, and rehabilitation of state highways and bridges that do not add a new traffic lane to the system.

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

(c) ~~(1)~~ The department, at a minimum, shall specify, for each project in the state highway operation and protection program, the capital and support budget, as well as a projected delivery date, applicable, for each of the following project components: phases:

~~(1) (A) Completion of project Project approval and environmental documents. documents, support only.~~

~~(2) (B) Preparation of plans, Plans, specifications, and estimates. estimates, support only.~~

~~(C) Rights-of-way.~~

~~(D) Construction.~~

~~(3) (2) Acquisition of rights-of-way, including, but not limited to, support activities. The department shall specify, for each project in the state highway operation and protection program, a projected delivery date for each of the following components:~~

~~(A) Project approval and environmental document completion.~~

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

~~(C) Right-of-way certification.~~

~~(4) (D) Start of construction.~~

(d) ~~The program shall be submitted department shall submit its proposed program to the commission not later than January 31 of each even-numbered year. Prior to submitting the plan, the its proposed program, the department shall make a draft of its proposed program available to transportation planning agencies for review and comment and shall include the comments in its~~

~~submittal to the commission. The department shall provide the commission with detailed information for all programmed projects on cost, scope, schedule, and performance metrics as determined by the commission.~~

~~(c) The commission may shall review the proposed program relative to its overall adequacy, consistency with the asset management plan prepared and approved pursuant to Section 14526.4 and funding priorities established in Section 167 of the Streets and Highways Code, the level of annual funding needed to implement the program, and the impact of those expenditures on the state transportation improvement program. The commission shall adopt the program and submit it to the Legislature and the Governor not later than April 1 of each even-numbered year. The commission may decline to adopt the program if the commission determines that the program is not sufficiently consistent with the asset management plan prepared and approved pursuant to Section 14526.4.~~

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

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

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

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

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

**SEC. 5.** Section 14526.7 of the Government Code is repealed:

~~**14526.7.** (a) The department shall incorporate the performance targets in subdivision (n) of Section 1 of the act adding this section into the asset management plan adopted by the commission and targets adopted by the commission pursuant to Sections 14526.4 and 14526.5. The asset management plan shall also include targets adopted by the commission in consultation with the department for each asset class included in subdivision (n) of Section 1 of the act adding this section to measure the degree to which progress was made towards achieving the overall 2027 targets. Targets may be modified by the commission as needed to conform to federal regulation on performance measures and the completion of the department's asset management plan. Nothing in this section precludes the commission from adopting additional targets and performance measures pursuant to paragraph (1) of subdivision (c) of Section 14526.4.~~

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

**SEC. 6.** Section 14556.41 of the Government Code is repealed:

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

**SEC. 7.** Section 63048.66 is added to the Government Code, to read:

**63048.66.** (a) Notwithstanding Section 63048.65 or any other provision of this article, compact assets that are subject to designation by the Director of Finance for sale pursuant to subdivision (a) of Section 63048.65 and that are timely deposited or are due for deposit in the Special Deposit Fund on or after July 1, 2008, and on or before June 30, 2016, shall not be available for the purpose of Section 63048.65.

(b) The Director of Finance shall determine the portion of the compact assets described in subdivision (a) that are attributable to payments made for each fiscal year. The Director of Finance may direct the Controller, by separate order applicable to the assets for each fiscal year, to transfer the compact assets attributable to that fiscal year from the Special Deposit Fund to the General Fund.

(c) Upon order of the Director of Finance, the Controller shall transfer the compact assets as provided in subdivision (b).

(d) If any legal challenges to the issuance of bonds pursuant to this article are settled sufficiently for the bonds to be sold, the following shall occur:

(1) Notwithstanding subdivision (a), the tribal assets described in subdivision (a) that are in the Special Deposit Fund, or are still due for payment to the Special Deposit Fund, may be made available for sale pursuant to subdivision (a) of Section 63048.65.

(2) The transfer of any compact assets to the General Fund pursuant to this section shall be suspended until after the bonds are sold, and any possible future transfers to the General Fund shall be consistent with the provisions of the bond sale.

**SEC. 8.** Section 63048.67 is added to the Government Code, to read:

**63048.67.** The loans made from the State Highway Account through the Traffic Congestion Relief Fund to the General Fund that are referenced in clause (i) of subparagraph (A) of paragraph (1) of subdivision (c) of Section 63048.65 are hereby determined to have been from weight fee revenues in the State Highway Account fund balance. Any repayments made to the State Highway Account pursuant to subdivision (e) of Section 63048.65, upon transfer of those funds to the State Highway Account, shall be immediately transferred by the Controller from the State Highway Account to the Transportation Debt Service Fund for use pursuant to Section 16965.

**SEC. 9.** Section 63048.7 is added to the Government Code, to read:

**63048.7.** Notwithstanding any other provision of this division, Article 3 (commencing with Section 63040), Article 4 (commencing with Section 63042), and Article 5 (commencing with Section 63043) do not apply to any bonds issued by the special purpose trust established by this

article. All matters authorized in this article are in addition to powers granted to the bank in this division.

**SEC. 10.** Section 63048.75 is added to the Government Code, to read:

**63048.75.** Any sale of some or all of the compact assets under this article shall be treated as a true sale and absolute transfer of the property so transferred to the special purpose trust and not as a pledge or grant of a security interest by the state, the bank board, or the bank for any borrowing. The characterization of the sale of any of those assets as an absolute transfer by the participants shall not be negated or adversely affected by the fact that only a portion of the compact assets is transferred, nor by the state's acquisition of an ownership interest in any residual interest in the compact assets, nor by any characterization of the special purpose trust or its bonds for purposes of accounting, taxation, or securities regulation, nor by any other factor whatsoever.

**SEC. 11.** Section 63048.8 is added to the Government Code, to read:

**63048.8.** (a) (1) On and after the effective date of each sale of compact assets, the state shall have no right, title, or interest in or to the compact assets sold, and the compact assets so sold shall be property of the special purpose trust and not of the state, the bank board, or the bank, and shall be owned, received, held, and disbursed by the special purpose trust or the trustee for the financing. None of the compact assets sold by the state pursuant to this article shall be subject to garnishment, levy, execution, attachment, or other process, writ, including, but not limited to, a writ of mandate, or remedy in connection with the assertion or enforcement of any debt, claim, settlement, or judgment against the state, the bank board, or the bank.

(2) On or before the effective date of any sale, the state, acting through the Director of Finance, upon direction of the bank, shall notify each tribe that has executed a designated tribal compact that the particular compact assets that have been sold to the special purpose trust and irrevocably instruct the tribe that, as of the applicable effective date and so long as the bonds secured by the compact assets are outstanding, the compact assets sold are to be paid directly to the trustee for the applicable bonds of the special purpose trust. Certification by the Director of Finance that this notice has been given shall be conclusive evidence thereof for purposes of this article.

(3) The state pledges and agrees with the holders of any bonds issued by the special purpose trust that it will not authorize anyone other than an Indian tribe with a federally authorized compact to engage in specified gaming activities within the defined core geographic market of an Indian tribe that is a party to a designated tribal compact in violation of the designated tribal compact as ratified by the Legislature, unless adequate provision is made by law for the protection of the holders of bonds in a manner consistent with the indenture or trust agreement pursuant to which the bonds are issued. The state pledges to and agrees with the holders of any bonds issued by the special purpose trust that it will (A) enforce its rights to collect the compact assets sold to the special purpose trust pursuant to this article, (B) not amend any designated tribal compact or take any other action, that would in any way diminish, limit, or impair the rights to receive compact assets sold to the special purpose trust pursuant to this article, and (C) not in any way impair the rights and remedies of bondholders or the security for their bonds until, in each case, those bonds, together with the interest thereon and costs and expenses in connection with any action or proceeding on behalf of the bondholders, are fully paid and discharged or otherwise provided for pursuant to the terms of the indenture or trust agreement pursuant to which those bonds are issued. The special purpose trust may include these pledges and undertakings in its bonds. Notwithstanding any other provision of this article, inherent police powers that cannot be contracted away are reserved to the state.

(b) Bonds issued pursuant to this article shall not be deemed to constitute a debt of the state nor a pledge of the faith or credit of the state, and all bonds shall contain on the face of the bond a statement to the effect that neither the faith and credit nor the taxing power nor any other assets or revenues of the state or of any political subdivision of the state other than the special purpose trust, is or shall be pledged to the payment of the principal of or the interest on the bonds.

(c) Whether or not the bonds are of a form and character as to be negotiable instruments under the terms of the Uniform Commercial Code, the bonds are hereby made negotiable instruments for all purposes, subject only to the provisions of the bonds for registration.

(d) The special purpose trust and the bank shall be treated as public agencies for purposes of Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure, and any action or proceeding challenging the validity of any matter authorized by this article shall be brought in accordance with, and within the time specified in, that chapter.

(e) Notwithstanding any other provision of law, the exclusive means to obtain review of a superior court judgment entered in an action brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure to determine the validity of any bonds to be issued, any other contracts to be entered into, or any other matters authorized by this article shall be by petition to the Supreme Court for writ of review. Any such petition shall be filed within 15 days following the notice of entry of the superior court judgment, and no extension of that period shall be allowed. If no petition is filed within the time allowed for this purpose, or the petition is denied, with or without opinion, the decision of the superior court shall be final and enforceable as provided in subdivision (a) of Section 870 of the Code of Civil Procedure. In any case in which a petition has been filed within the time allowed, the Supreme Court shall make any orders as it may deem proper in the circumstances. If no answering party appeared in the superior court action, the only issues that may be raised in the petition are those related to the jurisdiction of the superior court. Nothing in this subdivision or subdivision (d) shall be construed as granting standing to challenge the designated tribal compacts.

**SEC. 12.** Section 63048.85 is added to the Government Code, to read:

**63048.85.** (a) The Legislature finds and declares that, because the proceeds from the sale of compact assets authorized by this article are not “proceeds of taxes” as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

(b) Compact assets shall not be deemed to be “State General Fund proceeds of taxes appropriated pursuant to Article XIII B” within the meaning of Section 8 of Article XVI of the California Constitution, Section 41202 of the Education Code, or any other provision of law.

(c) Compact assets are not General Fund revenues for the purposes of Section 8 of Article XVI of the California Constitution or any other provision of law.

**SEC. 13.** Section 99312.1 of the Public Utilities Code is amended to read:

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

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

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

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

~~(c) The revenues transferred to the Public Transportation Account for the State Transit Assistance Program that are attributable to subdivision (a) of Section 11053 of the Revenue and Taxation Code are hereby continuously appropriated to the Controller, and, upon allocation pursuant to Sections 99313 and 99314, shall only be expended on the following:~~

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

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

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

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

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

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

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

**SEC. 14.** Section 99312.3 of the Public Utilities Code is repealed:

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

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

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

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

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

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

**SEC. 15.** Section 99312.4 of the Public Utilities Code is repealed:

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

**SEC. 16.** Section 99314.9 of the Public Utilities Code is repealed:

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

**SEC. 17.** Section 6051.8 of the Revenue and Taxation Code is amended to read:

~~**6051.8.** (a) Except as provided by Section 6357.3, in addition to the taxes imposed by this part, for the privilege of selling tangible personal property at retail a tax is hereby imposed upon all retailers at the rate of 1.75 percent of the gross receipts of any retailer from the sale of all diesel fuel, as defined in Section 60022, sold at retail in this state on and after the operative date of this subdivision. 60022.~~

~~(b) Notwithstanding subdivision (a), for the 2011-12 fiscal year only, the rate referenced in subdivision (a) shall be 1.87 percent. Except as provided by Section 6357.3, in addition to the taxes imposed by this part and by subdivision (a), commencing November 1, 2017, for the privilege of selling tangible personal property at retail a tax is hereby imposed upon all retailers at the rate of 4 percent of the gross receipts of any retailer from the sale of all diesel fuel, as defined in Section 60022, sold at retail in this state.~~

~~(c) Notwithstanding subdivision (a), for the 2012-13 fiscal year only, the rate referenced in subdivision (a) shall be 2.17 percent.~~

(d) Notwithstanding subdivision (a), for the 2013–14 fiscal year only, the rate referenced in subdivision (a) shall be 1.94 percent.

(e) (e) (1) Notwithstanding subdivision (b) of Section 7102, except as otherwise provided in paragraph (2), all of the revenues, less refunds, collected pursuant to this section shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and transferred quarterly to the Public Transportation Account in the State Transportation Fund for allocation under the State Transit Assistance Program pursuant to Section 99312.1 of the Public Utilities Code.

(f) (2) Subdivisions (a) to (e), inclusive, shall become operative on July 1, 2011. The revenues, less refunds, attributable to a rate of 0.5 percent of the 4 percent increase in the rate pursuant to subdivision (b), amounting to one-eighth of revenues from the increase in the rate under that subdivision, shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and transferred quarterly to the Public Transportation Account in the State Transportation Fund for allocation by the Transportation Agency to intercity rail and commuter rail purposes pursuant to Section 99312.3 of the Public Utilities Code.

**SEC. 18.** Section 6201.8 of the Revenue and Taxation Code is amended to read:

**6201.8.** (a) Except as provided by Section 6357.3, in addition to the taxes imposed by this part, an excise tax is hereby imposed on the storage, use, or other consumption in this state of diesel fuel, as defined in Section 60022, at the rate of 1.75 percent of the sales price of the diesel fuel on and after the operative date of this subdivision. ~~fuel.~~

(b) Notwithstanding subdivision (a), for the 2011–12 fiscal year only, the rate referenced in subdivision (a) shall be 1.87 percent. Except as provided by Section 6357.3, in addition to the taxes imposed by this part and by subdivision (a), commencing November 1, 2017, an excise tax is hereby imposed on the storage, use, or other consumption in this state of diesel fuel, as defined in Section 60022, at the rate of 4 percent of the sales price of the diesel fuel.

(c) Notwithstanding subdivision (a), for the 2012–13 fiscal year only, the rate referenced in subdivision (a) shall be 2.17 percent.

(d) Notwithstanding subdivision (a), for the 2013–14 fiscal year only, the rate referenced in subdivision (a) shall be 1.94 percent.

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

(f) (2) Subdivisions (a) to (e), inclusive, shall become operative on July 1, 2011. The revenues, less refunds, attributable to a rate of 0.5 percent of the 4 percent increase in the rate pursuant to subdivision (b), amounting to one-eighth of revenues from the increase in the rate under that subdivision, shall be estimated by the State Board of Equalization, with the concurrence of the Department of Finance, and transferred quarterly to the Public Transportation Account in the State Transportation Fund for allocation by the Transportation Agency to intercity rail and commuter rail purposes pursuant to Section 99312.3 of the Public Utilities Code.

**SEC. 19.** Section 7360 of the Revenue and Taxation Code is amended to read:

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

(2) If the federal fuel tax is reduced below the rate of nine cents (\$0.09) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway

purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1), on and after the date of the reduction, shall be recalculated by an amount so that the combined state rate under paragraph (1) and the federal tax rate per gallon equal twenty-seven cents (\$0.27).

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

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

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

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

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

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

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

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

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

**SEC. 20.** Section 7361.2 of the Revenue and Taxation Code is repealed:

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

~~November 1, 2017, on tax-paid motor vehicle fuel in storage according to the volumetric measure thereof.~~

~~(b) For purposes of this section:~~

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

~~(2) "Retailer" means any person who sells motor vehicle fuel in this state to a person who subsequently uses the motor vehicle fuel.~~

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

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

**SEC. 21.** Section 7653.2 of the Revenue and Taxation Code is repealed:

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

**SEC. 22.** Section 8352.4 of the Revenue and Taxation Code is amended to read:

**8352.4.** (a) Subject to Sections 8352 and 8352.1, and except as otherwise provided in subdivision (b), there shall be transferred from the money deposited to the credit of the Motor Vehicle Fuel Account to the Harbors and Watercraft Revolving Fund, for expenditure in accordance with Division 1 (commencing with Section 30) of the Harbors and Navigation Code, the sum of six million six hundred thousand dollars (\$6,600,000) per annum, representing the amount of money in the Motor Vehicle Fuel Account attributable to taxes imposed on distributions of motor vehicle fuel used or usable in propelling vessels. The actual amount shall be calculated using the annual reports of registered boats prepared by the Department of Motor Vehicles for the United States Coast Guard and the formula and method of the December 1972 report prepared for this purpose and submitted to the Legislature on December 26, 1972, by the Director of Transportation. If the amount transferred during each fiscal year is in excess of the calculated amount, the excess shall be retransferred from the Harbors and Watercraft Revolving Fund to the Motor Vehicle Fuel Account. If the amount transferred is less than the amount calculated, the difference shall be transferred from the Motor Vehicle Fuel Account to the Harbors and Watercraft Revolving Fund. No adjustment shall be made if the computed difference is less than fifty thousand dollars (\$50,000), and the amount shall be adjusted to reflect any temporary or permanent increase or decrease that may be made in the rate under the Motor Vehicle Fuel Tax Law. Payments pursuant to this section shall be made prior to payments pursuant to Section 8352.2.

(b) ~~(1)~~ Commencing July 1, 2012, the revenues attributable to the taxes imposed pursuant to subdivision (b) of Section 7360 and Section 7361.1 and otherwise to be deposited in the Harbors and Watercraft Revolving Fund pursuant to subdivision (a) shall instead be transferred to the General Fund. The revenues attributable to the taxes imposed pursuant to subdivision (b) of

Section 7360 and Section 7361.1 that were deposited in the Harbors and Watercraft Revolving Fund in the 2010–11 and 2011–12 fiscal years shall be transferred to the General Fund.

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

**SEC. 23.** Section 8352.5 of the Revenue and Taxation Code is amended to read:

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

(2) The amounts are not subject to Section 6357 with respect to the collection of sales and use taxes thereon, and represent the portion of receipts in the Motor Vehicle Fuel Account during a calendar year that were attributable to agricultural off-highway use of motor vehicle fuel which is subject to refund pursuant to Section 8101, less gross refunds allowed by the Controller during the fiscal year ending June ~~30th~~ 30 following the calendar year to persons entitled to refunds for agricultural off-highway use pursuant to Section 8101. Payments pursuant to this section shall be made prior to payments pursuant to Section 8352.2.

~~(b) (1) Commencing July 1, 2012, the revenues attributable to the taxes imposed pursuant to subdivision (b) of Section 7360 and Section 7361.1 and otherwise to be deposited in the Department of Food and Agriculture Fund pursuant to subdivision (a) shall instead be transferred to the General Fund. The revenues attributable to the taxes imposed pursuant to subdivision (b) of Section 7360 and Section 7361.1 that were deposited in the Department of Food and Agriculture Fund in the 2010–11 and 2011–12 fiscal years shall be transferred to the General Fund.~~

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

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

**SEC. 24.** Section 8352.6 of the Revenue and Taxation Code is amended to read:

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

(2) ~~(A)~~ Commencing July 1, 2012, the revenues attributable to the taxes imposed pursuant to subdivision (b) of Section 7360 and Section 7361.1 and otherwise to be deposited in the Off-Highway Vehicle Trust Fund pursuant to paragraph (1) shall instead be transferred to the General Fund. The revenues attributable to the taxes imposed pursuant to subdivision (b) of Section 7360 and Section 7361.1 that were deposited in the Off-Highway Vehicle Trust Fund in the 2010–11 and 2011–12 fiscal years shall be transferred to the General Fund.

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

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

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

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

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

(3) Attendance at the state vehicular recreation areas.

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

(c) It is the intent of the Legislature that transfers from the Motor Vehicle Fuel Account to the Off-Highway Vehicle Trust Fund should reflect the full range of motorized vehicle use off highway for both motorized recreation and motorized off-road access to other recreation opportunities. Therefore, the Legislature finds that the fuel tax baseline established in subdivision (b), attributable to off-highway estimates of use as of the 2006–07 fiscal year, accounts for the three categories of vehicles that have been found over the years to be users of fuel for off-highway motorized recreation or motorized access to nonmotorized recreational pursuits. These three categories are registered off-highway motorized vehicles, registered street-legal motorized vehicles used off highway, and unregistered off-highway motorized vehicles.

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

(e) In the 2014–15 fiscal year, the Department of Transportation, in consultation with the Department of Parks and Recreation and the Department of Motor Vehicles, shall undertake a

study to determine the appropriate adjustment to the amount transferred pursuant to subdivision (b) and to update the estimate of the amount attributable to taxes imposed upon distributions of motor vehicle fuel used in the operation of motor vehicles off highway and for which a refund has not been claimed. The department shall provide a copy of this study to the Legislature no later than January 1, 2016.

**SEC. 25.** Chapter 6 (commencing with Section 11050) of Part 5 of Division 2 of the Revenue and Taxation Code is repealed:

**CHAPTER 6. Transportation Improvement Fee**

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

(a) "Transportation purposes" means both of the following:

(1) The research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for nonmotorized traffic), including the mitigation of their environmental effects, the payment for property taken or damaged for the foregoing purposes, and the administrative costs necessarily incurred in the foregoing purposes.

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

(b) "Transportation improvement fee" means a supplemental charge added to the fee imposed pursuant to Chapter 2 (commencing with Section 10751).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~SEC. 26. Section 60050 of the Revenue and Taxation Code is amended to read:~~

**60050.** (a) (1) A tax of eighteen sixteen-cents (\$0.18) (~~\$0.16~~) is hereby imposed upon each gallon of diesel fuel subject to the tax in Sections 60051, 60052, and 60058.

(2) If the federal fuel tax is reduced below the rate of fifteen cents (\$0.15) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1), including any reduction or adjustment pursuant to subdivision (b), on and after the date of the reduction, (~~4~~) shall be increased by an amount so that the combined state rate under paragraph (1) and the federal tax rate per gallon equal what it would have been in the absence of the federal reduction.

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

(b) (1) On July 1, 2011, the tax rate specified in paragraph (1) of subdivision (a) shall be reduced to thirteen cents (\$0.13) and every July 1 thereafter shall be adjusted pursuant to paragraphs (2) and (3), and after November 1, 2017, in addition to the tax imposed pursuant to subdivision (a), an additional tax of twenty cents (\$0.20) is hereby imposed upon each gallon of diesel fuel subject to the tax in Sections 60051, 60052, and 60058.

(2) (~~e~~) For the 2012-13 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate reduction in paragraph (1) in that manner as to result in a revenue loss attributable to paragraph (1) that will equal the amount of revenue gain attributable to Sections 6051.8 and 6201.8, based on estimates made by the board, and that rate shall be effective during the state's next fiscal year. On July 1, 2020, and every July 1 thereafter, the State Board of Equalization shall adjust the taxes imposed by subdivisions (a), and (b), with the adjustment to apply to both to the base tax rates specified in those provisions and to any previous adjustment in rates made pursuant to this subdivision, by increasing the taxes by a percentage amount equal to the increase in the California Consumer Price Index, as calculated by the Department of Finance with the resulting taxes rounded to the nearest one-tenth of one cent (\$0.01). The first adjustment pursuant to this subdivision shall be a percentage amount equal to the increase in the California Consumer Price Index from November 1, 2017, to November 1, 2019. Subsequent annual adjustments shall cover subsequent 12-month periods. The incremental change shall be added to the associated rate for that year.

(3) (~~d~~) In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2013, the adjustment under paragraph (2) shall take into account the extent to which the actual amount of revenues derived pursuant to Sections 6051.8 and 6201.8 and the revenue loss attributable to this subdivision resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1. Any changes to the taxes imposed under this section that are enacted by legislation subsequent to July 1, 2017, shall be deemed to be changes to the base tax rates for purposes of the California Consumer Price Index calculation and adjustment performed pursuant to paragraph (1).

(4) The intent of paragraphs (2) and (3) is to ensure that the act adding this subdivision and Sections 6051.8 and 6201.8 does not produce a net revenue gain in state taxes.

**SEC. 27.** Section 60050.2 of the Revenue and Taxation Code is repealed:

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

(b) For purposes of this section:

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

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

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

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

**SEC. 28.** Section 60201.4 of the Revenue and Taxation Code is repealed:

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

**SEC. 29.** Article 2.5 (commencing with Section 800) of Chapter 4 of Division 1 of the Streets and Highways Code is repealed:

**Article 2.5. Advance Mitigation Program**

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

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

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

**SEC. 30.** Chapter 2 (commencing with Section 2030) of Division 3 of the Streets and Highways Code is repealed:

**CHAPTER 2. Road Maintenance and Rehabilitation Program**

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

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

(A) Road maintenance and rehabilitation.

~~(B) Safety projects.~~

~~(C) Railroad grade separations.~~

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

~~(E) Traffic control devices.~~

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

~~(e) To the extent possible and cost effective, and where feasible, the department and cities and counties receiving funds under the program shall use advanced technologies and material recycling techniques that reduce the cost of maintaining and rehabilitating the streets and highways, and that exhibit reduced levels of greenhouse gas emissions through material choice and construction method.~~

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

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

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

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

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

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

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

~~(b) The revenues from the portion of the transportation improvement fee pursuant to subdivision (e) of Section 11053 of the Revenue and Taxation Code.~~

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

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

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

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

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

~~(2) Eligible projects under this subdivision shall include, but not are limited to, sound walls for a freeway that was built prior to 1987 without sound walls and with or without high occupancy vehicle lanes if the completion of the sound walls has been deferred due to lack of available funding for at least 20 years and a noise barrier scope summary report has been completed within the last 20 years.~~

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

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

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

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

~~(e) After deducting the amounts appropriated in the annual Budget Act pursuant to Section 2031.5 and the amounts allocated in subdivisions (a), (b), (c), and (d), in the 2017-18, 2018-19, 2019-20, 2020-21, and 2021-22 fiscal years, from revenues in the Road Maintenance and Rehabilitation Account that are not subject to Article XIX of the California Constitution, five million dollars (\$5,000,000) shall be appropriated in each fiscal year to the California Workforce Development Board to assist local agencies to implement policies to promote preapprenticeship training programs to carry out the projects that are funded by the account pursuant to Section 2038. Funds appropriated pursuant to this subdivision in the Budget Act but remaining unexpended at the end of each applicable fiscal year shall be reappropriated for the same purposes in the following year's Budget Act, but all funds appropriated or reappropriated pursuant to this subdivision in the Budget Act shall be liquidated no later than June 30, 2027.~~

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

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

~~(h) Notwithstanding Section 13340 of the Government Code, the balance of the revenues deposited in the Road Maintenance and Rehabilitation Account are hereby continuously appropriated as follows:~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~**2038.** The California Workforce Development Board shall develop guidelines for public agencies receiving Road Maintenance and Rehabilitation Account funds to participate in, invest in, or partner with, new or existing preapprenticeship training programs established pursuant to subdivision (e) of Section 14230 of the Unemployment Insurance Code. The department and local agencies that receive Road Maintenance and Rehabilitation Account funds pursuant to this~~

~~chapter shall, not later than July 1, 2023, follow the guidelines set forth by the board. The board shall also establish a preapprenticeship development and training grant program, beginning January 1, 2019, pursuant to subdivision (e) of Section 14230 of the Unemployment Insurance Code. Local public agencies that receive Road Maintenance and Rehabilitation Account funds pursuant to this chapter are eligible to compete for such grants and may apply in partnership with other agencies and entities, including those with existing preapprenticeship programs. Successful grant applicants shall, to the extent feasible:~~

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

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

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

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

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

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

**SEC. 31.** Section 2103.1 of the Streets and Highways Code is repealed:

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

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

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

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

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

**SEC. 32.** Section 2104 of the Streets and Highways Code is amended to read:

**2104.** Notwithstanding Section 13340 of the Government Code, a sum equal to the net revenue derived from a 11.3 percent of the per gallon tax of 2.035 cents (\$0.02035) under the Motor Vehicle Fuel License Tax Law (Part 2 (commencing with Section 7301) of Division 2), 1.80 cents (\$0.0180) under the Use Fuel Tax Law (Part 3 (commencing with Section 8601) of Division 2), and 1.80 cents (\$0.0180) 11.5 percent of the per gallon tax under the Diesel Fuel

Tax Law (Part 31 (commencing with Section 60001) of Division 2) of the Revenue and Taxation Code, shall be apportioned among the counties, as follows:

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

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

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

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

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

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

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

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

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

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

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

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

**SEC. 33.** Section 2105 of the Streets and Highways Code is amended to read:

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

(a) A sum equal to 1.035 cents (\$0.01035) ~~5.8 percent of the~~ per gallon from the tax under Section 7360 of the Revenue and Taxation Code, 11.5 percent of any per gallon tax in excess of nine cents (\$0.09) per gallon under Sections 8651, 8651.5, and 8651.6 of the Revenue and Taxation Code, and 1.035 cents (\$0.01035) ~~6.5 percent of the~~ per gallon from the tax under Sections 60050 and 60115 of the Revenue and Taxation Code, shall be apportioned among the counties, including a city and county.

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

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

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

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

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

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

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

(b) A sum equal to 1.035 cents (\$0.01035) ~~5.8 percent of the~~ per gallon from the tax under Section 7360 of the Revenue and Taxation Code, 11.5 percent of any per gallon tax in excess of nine cents (\$0.09) per gallon under Sections 8651, 8651.5, and 8651.6 of the Revenue and Taxation Code, and 1.035 cents (\$0.01035) ~~6.5 percent of the~~ per gallon from the tax under Sections 60050 and 60115 of the Revenue and Taxation Code, shall be apportioned to cities, including a city and county, in the proportion that the total population of the city bears to the total population of all the cities in the state.

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

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

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

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

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

**SEC. 34.** Section 2106 of the Streets and Highways Code is amended to read:

**2106.** Notwithstanding Section 13340 of the Government Code, a sum equal to the net revenue derived from one and four one-hundredths cent (\$0.0104) ~~5.3 percent of the~~ per gallon tax under the Motor Vehicle Fuel License Tax Law (Part 2 (commencing with Section 7301) of Division 2 of the Revenue and Taxation Code) shall be apportioned monthly from the Highway Users Tax Account in the Transportation Tax Fund among the counties and cities as follows:

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

(b) On the last day of each month, the sum of six hundred thousand dollars (\$600,000) shall be transferred to the State Highway Account in the State Transportation Fund for the Active Transportation Program pursuant to Chapter 8 (commencing with Section 2380). For each month in the 2013–14 fiscal year that has passed prior to the enactment of the bill adding this sentence, six hundred thousand dollars (\$600,000) shall be immediately transferred from the Bicycle

Transportation Account to the State Highway Account in the State Transportation Fund for the Active Transportation Program, less any amount already expended for that program from the Bicycle Transportation Account during the 2013–14 fiscal year.

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

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

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

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

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

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

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

(2) For the purpose of meeting the cash obligations associated with ongoing budgeted costs, a city or county may make use of any cash balance in the city account that is designated for the receipt of state funds allocated for local streets and roads or the county road fund, including that resulting from the receipt of funds pursuant to the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Chapter 12.49 (commencing with Section 8879.20)

of Division 1 of Title 2 of the Government Code (bond act)) for local streets and roads maintenance, during the period of this suspension, and the use of this cash shall not be considered as an expenditure of bond act funds, if the cash is replaced when the payments that are suspended pursuant to this subdivision are repaid in May 2009.

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

**SEC. 35.** Section 2107 of the Streets and Highways Code is amended to read:

**2107.** (a) Notwithstanding Section 13340 of the Government Code, a sum equal to the net revenues derived from ~~a 7.3 percent of the per gallon tax of 1.315 cents (\$0.01315)~~ under the Motor Vehicle Fuel License Tax Law (Part 2 (commencing with Section 7301) of Division 2), 2.59 cents (\$0.0259) under the Use Fuel Tax Law (Part 3 (commencing with Section 8601) of Division 2), and 1.80 cents (\$0.0180) ~~11.5 percent~~ under the Diesel Fuel Tax Law (Part 31 (commencing with Section 60001) of Division 2) of the Revenue and Taxation Code, shall be apportioned monthly to the cities and cities and counties of this state from the Highway Users Tax Account in the Transportation Tax Fund as provided in this section.

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

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

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

(2) Commencing with the ninth fiscal year of a city described in subdivision (a) of Section 11005.3 of the Revenue and Taxation Code, the sixth fiscal year of a city described in subdivision (b) of Section 11005.3 of the Revenue and Taxation Code, and the 61st month of the city described in subdivision (c) of Section 11005.3 of the Revenue and Taxation Code, the population in each city is the actual population of that city, as defined in subdivision (e) of Section 11005.3 of the Revenue and Taxation Code.

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

(2) For the purpose of meeting the cash obligations associated with ongoing budgeted costs, a city may make use of any cash balance in the city account that is designated for the receipt of state funds allocated for local streets and roads, including that resulting from the receipt of funds pursuant to the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Chapter 12.49 (commencing with Section 8879.20) of Division 1 of Title 2 of the Government Code (hereafter bond act)) for local streets and roads maintenance, during the period of this suspension, without the use of this cash being reflected as an expenditure of bond act funds, provided the cash is replaced once this suspension is repaid in September of 2008. Cities may accrue the revenue received in September 2008 as repayment of these suspensions for the months of April, May, and June of 2008 back to the 2007–08 fiscal year. Nothing in this

paragraph shall change the fact that expenditures must be accrued and reflected from the appropriate funding sources for which the moneys were received and meet all the requirements of those funding sources.

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

(2) For the purpose of meeting the cash obligations associated with ongoing budgeted costs, a city may make use of any cash balance in the city account that is designated for the receipt of state funds allocated for local streets and roads, including that resulting from the receipt of funds pursuant to the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Chapter 12.49 (commencing with Section 8879.20) of Division 1 of Title 2 of the Government Code (bond act)) for local streets and roads maintenance, during the period of this suspension, and the use of this cash shall not be reflected as an expenditure of bond act funds, if the cash is replaced once this suspension is repaid in May 2009.

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

**SEC. 36.** Section 2192.4 of the Streets and Highways Code is repealed:

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

**SEC. 37.** Chapter 8.5 (commencing with Section 2390) of Division 3 of the Streets and Highways Code is repealed:

**CHAPTER 8.5. Congested Corridors**

~~**2390.** The Solutions for Congested Corridors Program is hereby created.~~

~~**2391.** Pursuant to subdivision (b) of Section 11053 of the Revenue and Taxation Code, two hundred fifty million dollars (\$250,000,000) in the State Highway Account shall be available for appropriation to the Department of Transportation in each annual Budget Act for the Solutions for Congested Corridors Program. Funds made available for the program shall 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. Funding shall be available for projects that make specific performance improvements and are part of a comprehensive corridor plan designed to reduce congestion in highly traveled corridors by providing more transportation choices for residents, commuters, and visitors to the area of the corridor while preserving the character of the local community and creating opportunities for neighborhood enhancement projects. In order to mitigate increases in vehicle miles traveled, greenhouse gases, and air pollution, highway lane capacity-increasing projects funded by this program shall be limited to high-occupancy vehicle lanes, managed lanes as defined in Section 14106 of the Government Code, and other non-general purpose lane improvements primarily designed to improve safety for all modes of travel, such as auxiliary lanes, truck climbing lanes, or dedicated bicycle lanes. Project elements within the corridor plans may include improvements to state highways, local streets and roads, public transit facilities, bicycle and pedestrian facilities, and restoration or preservation work that protects critical local habitat or open space.~~

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

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

~~2394.~~ The commission shall allocate program funds to projects after reviewing the corridor plans submitted by the regional agencies or the department and making a determination that a proposed project is consistent with the objectives of the corridor plan. In addition to making a consistency determination with respect to project nominations, the commission shall score the proposed projects on the following criteria:

(a) Safety.

(b) Congestion.

(c) Accessibility.

(d) Economic development and job creation and retention.

(e) Furtherance of state and federal ambient air standards and greenhouse gas emissions reduction standards pursuant to the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38550) of the Health and Safety Code) and Senate Bill 375 (Chapter 728 of the Statutes of 2008).

(f) Efficient land use.

(g) Matching funds.

(h) Project deliverability.

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

~~2396.~~ The commission, in consultation with the State Air Resources Board, shall develop and adopt guidelines for the program consistent with the requirements of this chapter. Guidelines adopted by the commission shall be exempt from the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). Prior to adopting the guidelines, the commission shall conduct at least one public hearing in northern California and one public hearing in southern California to review and provide an opportunity for public comment. The commission shall adopt the final guidelines no sooner than

~~30 days after the commission provides the proposed guidelines to the Joint Legislative Budget Committee and the transportation policy committees in the Senate and the Assembly.~~

~~2397. On or before March 1, 2019, and annually thereafter, the commission shall provide project update reports on the development and implementation of the program described in this chapter in its annual report to the Legislature prepared pursuant to Section 14535 of the Government Code. A copy of the report shall be provided to the Joint Legislative Budget Committee and the transportation policy committees of both houses of the Legislature. The report, at a minimum, shall include information on each project that received funding under the program, including, but not limited to, all of the following:~~

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

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

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

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

**SEC. 38.** Section 4156 of the Vehicle Code is amended to read:

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

(b) (1) The department shall not issue a temporary permit pursuant to subdivision (a) to operate a vehicle for which a certificate of compliance is required pursuant to Section 4000.3, and for which that certificate of compliance has not been issued, unless the department is presented with sufficient evidence, as determined by the department, that the vehicle has failed its most recent smog check inspection.

(2) Not more than ~~Only~~ one temporary permit may be issued pursuant to this subdivision to a vehicle owner in a two-year period.

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

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

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

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

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

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

**SEC. 39.** Section 9250.6 of the Vehicle Code is repealed:

~~9250.6. (a) In addition to any other fees specified in this code, or the Revenue and Taxation Code, commencing July 1, 2020, a road improvement fee of one hundred dollars (\$100) shall be paid to the department for registration or renewal of registration of every zero-emission motor~~

~~vehicle model year 2020 and later subject to registration under this code, except those motor vehicles that are expressly exempted under this code from payment of registration fees.~~

~~(b) On January 1, 2021, and every January 1 thereafter, the Department of Motor Vehicles shall adjust the road improvement fee imposed under subdivision (a) by increasing the fee in an amount equal to the increase in the California Consumer Price Index for the prior year, except the first adjustment shall cover the prior six months, as calculated by the Department of Finance, with amounts equal to or greater than fifty cents (\$0.50) rounded to the highest whole dollar. The incremental change shall be added to the associated fee rate for that year.~~

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

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

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

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

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

**SEC. 40.** (a) The Institute for Transportation Studies at the University of California, Davis is requested to suspend its report to the Governor and the Legislature that was requested in the Road Repair and Accountability Act of 2017.

(b) The Institute shall not consult with the State Air Resources Board, the Department of Transportation, the Department of Motor Vehicles, and the State Board of Equalization to prepare the report requested in the Road Repair and Accountability Act of 2017.

**SEC. 41.** Guidelines adopted by the California Transportation Commission, the Department of Transportation, the Transportation Agency, or any other state agency to implement transportation programs in the Road Repair and Accountability Act of 2017 are hereby repealed.