



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 4

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Memorandum

TO: Legislation Committee

DATE: May 7, 2010

FR: Executive Director

W. I. 1131

RE: AB 2620 (Eng): Dedication of Toll Revenues from New Toll Facilities to the SHOPP

Background

AB 2620 (Eng), as amended on April 26, 2010, dedicates an unspecified percentage of net toll revenue from future toll facilities to the State Highway Account for the maintenance, preservation and rehabilitation of the state highway system. The bill exempts high occupancy toll (HOT) lanes that are already in operation or authorized in statute, including those already under development in Southern California and in the Bay Area on I-680 in Alameda and Santa Clara County, I-580 in Alameda County and U.S. Highway 101 in Santa Clara County. However, the bill's provisions would apply to the four *future* HOT lane facilities that the California Transportation Commission is authorized to approve under current law (two in Northern California and two in Southern California) as well as any future toll facilities authorized after January 1, 2011.

Recommendation: Oppose Unless Amended

Discussion

AB 2620 raises a number of key policy questions relevant to the region's proposed Express Lane Network. First, the bill raises the question as to what role, if any, tolls from highway facilities administered by local or regional agencies should play in the maintenance, rehabilitation and preservation of the state highway system. Local and regional agencies have a long history of working cooperatively with the Department of Transportation (Caltrans) on state highway projects funded by local revenue, such as bridge tolls or local sales tax measures. Despite the fact that local funds have been used to add substantial lane miles to the state highway system's overall inventory, local agencies have never been asked to pay for additional maintenance and rehabilitation from those funds. The bill could set a significant precedent about the state's commitment to maintaining its own assets. Although toll facilities on the state highway system certainly depend on that system being maintained, all toll facilities on California's state highway system ultimately remain under the ownership and responsibility of Caltrans.

Terms Not Defined, Many Details Unclear

As currently drafted, the bill leaves the term "net revenue" undefined. For instance, does "net revenue" include only toll funds remaining after debt service, maintenance and operating expenses associated with the facility are accounted for, or does it include all toll revenue remaining after maintenance and operations? This is a critical issue, given that toll projects face a challenging financial outlook in the current economic climate. Additionally, the bill raises

legal nexus problems by not limiting the geographic scope of where the funds could be used, giving the Legislature permission to redirect Bay Area toll funds anywhere in the state.

Current Cooperative Agreement Process Should Be Maintained

Whether projects are locally-funded state highway system improvements or new HOT lanes, for decades Caltrans and local agencies have relied upon cooperative agreements to negotiate and determine the respective roles and responsibilities of each party with regard to project development, but also cost-sharing. Negotiation of the cooperative agreement is the most appropriate means of allocating these responsibilities, not an arbitrary percentage in statute.

SHOPP Shortfalls Require a Statewide Solution

The findings portion of the bill notes that “continued underfunding of maintenance, preservation and rehabilitation needs delays projects and increases the cost when the work is eventually undertaken.” Under current law, Caltrans is required to prioritize funding for the SHOPP over highway expansion projects. At about \$2 billion per year, the annual highway rehabilitation investment is significant, but it is dwarfed by the need; Caltrans estimates it needs three times this amount — \$6 billion per year. AB 2620 gets the diagnosis right, but the treatment is far too superficial to have any significant benefit. California faces a severe statewide funding shortage relative to maintaining our state highway system. It requires a comprehensive, statewide solution, not a band aid approach.

Proposed Amendments

We recommend that the bill be amended simply to require that each cooperative agreement for a new toll facility detail the role tolls or other funds will play in helping to ensure that the corridor where the toll facility is located is maintained in a state of good repair.

Known Positions

Support

Public Engineers of California Government (sponsor)

Oppose

Alameda County Congestion Management Agency



Steve Heminger