March 1, 2014

TO: **Jacki Bacharach, SBCCOG Executive Director**

FROM: **Steve Lantz, SBCCOG Transportation Consultant**

RE: **SBCCOG Transportation Update – February 2014**

<u>Adherence to Guiding Principles:</u>
Identify challenges and opportunities that transcend jurisdictional boundaries.

Federal Update

Need For Federal Transportation Fund Reauthorization Fuels New Revenue Debates
US Department of Transportation reported at the end of January that the Federal Highway Trust Fund, which uses the 18.4 cent federal gas tax to pay for roads and bridges, will run out of cash for day-to-day operations in the third week of August, a little more than a month before the MAP-21 Highway Trust Fund Authorization expires on September 30th.

The Congressional Budget Office (CBO) estimates that, if the gas tax had been indexed for inflation in 1993, it would have risen from 18.4 cents a gallon then to 29 cents a gallon today. But, because the gas tax rate has not been increased since 1993 and improvements in vehicle fuel efficiency have reduced consumption, federal general fund revenues have been transferred to the Highway Trust Fund for the past several years to fully fund the federal surface transportation program. MAP-21, a two-year transportation bill enacted in 2012, maintained the 1993 gas tax rate status quo but included only enough supplemental general fund revenue to cover two years of road and transit projects.

The federal gas tax brings in about $35 billion year, well below the current annual MAP-21 transportation funding level of $54 billion. To fund a five -year authorization bill at the same spending levels as MAP-21, the Congressional Budget Office (CBO) estimates the trust fund needs an additional $100 billion in tax receipts or transfers from the general fund for the fiscal period from 2015 to 2020. To fund a two-year bill similar to MAP-21 would require an additional $35 billion more than the trust fund currently brings in. Even passing a stop-gap one-year Map-21 continuing resolution has been projected by the Office of Management and Budget (OMB) to require $19 billion in general fund revenues

With a need to pass a new transportation funding authorization bill, divergent proposals are being floated to bail out the transportation trust fund and pass a 5-6 year reauthorization bill. Approaches range from increasing the fuel taxes, eliminating the ban on tolling on federal Interstate routes, and converting the transportation funding mechanism from a per gallon fuel tax to a vehicle-miles-traveled (VMT) charge.

The U. S. Chamber of Commerce and AFL-CIO teamed up during a February 12th hearing of the Senate Environment and Public Works Committee to support a gradual increase in the federal gas tax. They claimed that no viable alternative has arisen since the passage of MAP-21 two years ago. Although the Senate Environment and Public Works Committee members seemed receptive to the message that was coming from the business and labor leaders, to date an increase in the gas tax is opposed by President Obama and a majority in Congress. In the Senate, decisions about the source for the money to pay for the reauthorization of transportation funding will be decided by the Senate's Finance Committee rather than the Environment and Public Works Committee.

President Obama proposed on February 24th a $302 billion, four-year transportation plan that would plug the $63 billion hole over the next four years in the highway account. He also recommended that half the $302 billion for the new Authorization he's proposing come from an overhaul of corporate taxes, but he says he's open to other ideas.

Congress banned tolls on interstate highways when it created the Interstate road network under President Dwight Eisenhower in 1956 except for then existing toll lanes and tolling on new highways or lanes that add capacity to existing Interstate routes. The original idea behind limiting tolls on interstates was to make sure drivers were not taxed twice for the same road — once through federal gas taxes and again at the toll booth. Some states hope Congress will change that law in the next Transportation Reauthorization bill to allow States to decide on a tolling policy.

Tolling advocates argue tolling existing interstates makes sense because many of the original highways have surpassed their useful life and need to be completely rebuilt. But truckers, delivery companies and businesses located along existing interstates are vehemently opposed. They have successfully beaten back other recent attempts in Congress to permit tolls on existing interstate highways.

Some believe the VMT charge is a more equitable way to ensure that all drivers—including those of hybrid or electric cars that pay less or no fuel tax—still share the cost of maintaining all the roads they use. Emerging connected car technology enables on-board components to record mileage and charge drivers for using all roads, not just tolled highways. The new technology enables VMT charges to vary by location and time of day, making it possible to reduce congestion and earn revenue roughly proportional to how much drivers value each particular highway.

Supporters of the VMT tax believe using connected car technology to replace fuel taxes with VMT charges will enhance transportation efficiency in several ways. Market-clearing prices may reduce or eliminate highway congestion. Incentives may prompt drivers to better manage the time when they travel, take fewer trips, car pool or switch to public transit. Prices based on demand also provide better information and incentives about where to build highways. If drivers and public transportation riders paid market prices for each trip, the choice of how to travel would better reflect preferences and resource scarcity, which ultimately leads to greater mobility. They also believe that the new technology would eliminate the incremental operating and maintenance costs related to highway toll lanes.

Sacramento Update

Steinberg Seeks Carbon Tax On Motor Vehicle Fuels Instead Of “Cap and Trade”
Darrell Steinberg, President Pro Tempore of the California State Senate, on February 20th proposed that the Statewide Cap and Trade program be replaced with a 15-cent “carbon tax” on gasoline, diesel and other fossil fuels beginning in 2015. The current gas price is expected to increase 12-cents when fuels and their emissions are added to the Cap and Trade Program on July 1st and the fuel producers begin to buy pollution credits and pass on their costs to consumers at the pump. Steinberg’s proposal would instead add 15-cents to the 71.9-cent State gas tax which would rise to an estimated 24 cents per gallon in 2020. Steinberg claims the straightforward gas tax increase would keep total gas prices lower than they would become under cap-and-trade projections for future years.

Steinberg also proposed to use an estimated $3.6 billion of the new revenues in the first year to help low- and moderate-income families that suffer disproportionately from environment-related health problems. The assistance would be in the form of an earned income tax credit similar to a federal program to assist the poor. The rest of the increased revenues would pay for transit and related environmental projects designed to give people an alternative to consuming oil, natural gas, propane and other hydrocarbons.

Conservative Republicans and moderate Democrats in the Senate could make it difficult to get the two-thirds super-majority vote required to pass a tax increase. Changing the regulations drafted by the California Air Resources Board since the 2006 passage of the state's landmark global warming law, AB 32, won't be easy. In addition, Governor Jerry Brown has said he's not interested in signing any tax hikes this year. To make matters more complex, the state Chamber of Commerce announced that it would ask an appellate court to void the constitutionality of the cap-and-trade fees, contending that they are taxes that would have to be enacted by the Legislature, not the California Air Resources Board. And some state legislators are pushing another controversial bill to impose an extraction tax on California oil companies, which also could have the effect of raising gas prices for the state’s motorists.

Ride Share Providers Raise New Insurance Issues for California PUC
In the emerging world of the sharing economy, companies such as Uber, Lyft and Sidecar have convinced State regulators that they are not taxi companies; instead, they claim to be similar to limousine services or, in their words, “Transportation Network Companies (TNCs)”. The TNCs provide prearranged, software application-based pickup services in which ride providers act as independent contractors, share revenues with the TNC, and are classified as part-time limo drivers in California regulations.

A recent fatal accident involving a driver who used Uber highlights gaps in the insurance coverage. On New Year’s Eve, a driver who freelanced for Uber struck three pedestrians, killing a 6-year-old girl. Her family sued the driver and Uber, which argued that it bears no liability because the driver hadn't been retained by an Uber customer at the time of the collision. But the driver insists that he was working for the company at the time because he was running the Uber application, waiting for a request for a ride.

The State Department of Insurance recently issued a bulletin to drivers and potential customers that the policies held by many drivers won't cover accidents that happen when they're providing rides for pay regardless of whether there is a customer in the vehicle at the time of the accident. It's not clear where insurers will draw the line between commercial and noncommercial activity- the moment when a private automobile becomes a commercial vehicle has yet to be defined clearly. In addition, the insurance coverage mandated by the PUC doesn't require ride-sharing companies to insure against collision damage to the driver's vehicle, injuries to the driver or losses caused when the car is hit by an underinsured motorist. Lyft announced on February 5th that it was adding coverage for underinsured motorists and for collisions but not for injuries to drivers — that will have to come from drivers' health insurance, if they carry it. Uber also offers coverage for underinsured motorists. But the companies can buy or drop the coverage at any point.

The PUC was encouraged in a February 6th Los Angeles Times editorial to require ride-sharing companies to clearly disclose to drivers and riders the risks they will be assuming and to be prepared to expand the insurance requirement if the coverage gaps persist.

California approves lowering excise tax rate on gasoline by 3.5 cents
The California Board of Equalization (BOE) on February 25th approved lowering the statewide excise tax rate on gasoline by 3.5 cent, from 39.5 cents to 36 cents effective July 1, 2014 through June 30, 2015. BOE annually adjusts the state gas excise tax rate by March1.

When gas prices change, consumers also pay a corresponding amount in sales tax. Gasoline sales tax revenue funds local government programs; the state excise tax on gasoline funds highway and mass transit projects throughout California. The changes do not usually result in changes in gas prices at the pump.

Southern California Update

Jamzilla Down, One More Major I-405 Closure To Go!
Jamzilla was the final extended closure of the northbound lanes on the I-405 freeway through the Sepulveda Pass. Only one more two-day shutdown is needed on the southbound lanes on a date that has yet to be determined.

When the $1.14 billion project is finally finished this summer, LA drivers will have 10 new miles of northbound carpool lane on the I-405. Metro expects motorists using the new I- 405 northbound carpool lane will trim about 10 minutes off their daily commutes. The southbound lanes have had a carpool lane for more than a decade.

A more subtle improvement will be straightening the freeway lanes that now vary between 11 and 12 feet wide and widening shoulders for increased safety. New sound walls should reduce freeway noise at adjacent homes. The on and off ramps will be able to store more vehicles to reduce street lane blockages. Three new bridges span the freeways -- at Sunset, Skirball and Mulholland -- and meet higher seismic safety standards. The Skirball Bridge will also include a separate dirt path to enable wildlife to safely cross from one side of the freeway to the other.

Regional Connector Project Gets a $670 Mil. Federal Grant + a $160 Mil. Federal Loan
Metro and the Federal Transit Administration signed a Full Funding Agreement on February 21st that will provide a $670 million federal grant and a $160 million low-interest Federal loan for the $1.4 billion LA Downtown Regional Connector. The combined federal grants and loans will cover more than 60% of the estimated project cost. The remaining outlays will come from state funds and $217 million from Measure R.

The 1.9 mile underground light rail line will link the light rail Blue Line to Long Beach and the Exposition light rail line to Santa Monica directly to the light rail Gold Line to Pasadena and points east. It will eliminate the frustrating transfers required between the light rail lines and the Metro Red Line at 7th/Metro station and Union Station to get through downtown. Metro estimates the Regional Connector may shave as much as 20 minutes off trips, attract 17,000 new riders, and free up Red Line capacity that will be needed as the Metro Rail subway is extended west from Western Ave. to Westwood.

LADOT Announces 20 Miles of New Sharrows for 2014
The L. A. City Department of Transportation has announced that it will be adding approximately 20 miles of new sharrows during 2014. Sharrows are street markings that designate lanes that are shared by streets and cars to remind drivers that bicyclists will be on the street and tell bicyclists where to ride to stay out of the "door zone." Many of the new sharrows streets will be designated in the San Pedro community of Los Angeles city.

Crenshaw LAX Project Management Office Opens in Westchester; Open House On 3/14
Metro and Walsh-Shea Corridor Constructors have opened an integrated Project Management Office for the Crenshaw LAX project. An open house is being held on Saturday, March 13th, from 1-4 p.m. The new office is located at 9323 Bellanca Ave., Westchester, CA 90043. Free parking is available in adjacent lots. The event will include light refreshments and local entertainment. RSVP to: crenshawcorridor@metro.net or via phone at 213.922.2736 no later than March 7th.