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THIRD READING

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Bill No: AB 604  
Author: Daly (D)  
Introduced: 2/11/21  
Vote: 21

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SENATE TRANSPORTATION COMMITTEE: 17-0, 6/29/21

AYES: Gonzalez, Bates, Allen, Archuleta, Becker, Cortese, Dahle, Dodd, McGuire, Melendez, Min, Newman, Rubio, Skinner, Umberg, Wieckowski, Wilk

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/26/21

AYES: Portantino, Bates, Bradford, Jones, Kamlager, Laird, McGuire

ASSEMBLY FLOOR: 75-0, 6/2/21 - See last page for vote

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**SUBJECT:** Road Maintenance and Rehabilitation Account: apportionment of funds: accrued interest

**SOURCE:** Transportation California

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**DIGEST:** This bill appropriates, continuously, interest earnings derived from revenues deposited in the Road Maintenance and Rehabilitation Account (RMRA) to the California Department of Transportation (Caltrans) for maintenance of the state highway system or for purposes of the State Highway Operation and Protection Program (SHOPP).

**ANALYSIS:**

Existing law:

- 1) Levies a variety of taxes and fees on gasoline, diesel fuel, and motor vehicles including, but not limited to, a per gallon gasoline excise tax, an excise and sales tax on diesel fuel, an annual vehicle registration fee, an annual fee based on the market value of the vehicle, and an annual fee for zero-emission vehicles.

- 2) Directs the revenue generated from these transportation taxes and fees to different accounts to be used for various transportation programs.
- 3) Creates the RMRA and directs that funds deposited into the account be spent on basic road maintenance and rehabilitation, critical safety projects, and several other transportation programs.
- 4) Does not explicitly assign interest earnings in state transportation accounts to specific programs.

This bill:

- 1) Requires any interest earned on revenues in the RMRA be deposited in the RMRA.
- 2) Restricts the RMRA interest from being allocated for administrative costs and various transportation programs, and requires the interest earnings be continuously appropriated to Caltrans for maintenance of the state highway system of for purposes of the SHOPP.
- 3) Adds the RMRA interest amounts to the list of expenditures Caltrans must report annually to the California Transportation Commission (CTC).

### Comments

- 1) *Purpose.* According to the author, “SB 1 is clear on how revenues deposited into the RMRA will be distributed. However, it does not explicitly account for the funds generated through interest earnings. This bill clarifies existing law on the use of these interest earnings to ensure that state transportation funds remain dedicated for their intended purpose – safe and reliable roadways.”
- 2) *Road Repair and Accountability Act of 2017 (SB 1).* In 2017, the Legislature passed and Governor Brown signed into law SB 1 (Beall, Chapter 5, Statutes of 2017), known as the Road Repair and Accountability Act, which provides approximately \$5 billion per year for roads, transit, and active transportation programs. SB 1 increased resources to help address some of the state’s transportation needs and put in place increased accountability and oversight measures for transportation funding. Specifically, SB 1 increased various fuel taxes and vehicle fees to generate this funding, including a 12-cent per gallon increase in the gasoline excise tax, a 20-cent per gallon increase in the diesel fuel excise tax and an increase in the sales tax on diesel fuels by an additional 4% increment. SB 1 also created a transportation improvement fee (TIF), a registration fee charged to a vehicle owner based on the market value of the

vehicle; and an annual \$100 vehicle registration fee on zero-emission vehicles model year 2020 and later.

These revenues are deposited into various accounts for allocation to specific programs and uses. In addition to existing accounts, SB 1 created the RMRA, which receives about \$3 billion annually in SB 1-generated revenues, including the gasoline excise tax, part of the diesel excise tax, part of the TIF, and the zero-emission vehicle fee. These revenues are deposited over the course of a fiscal year as they are collected. Funds in the RMRA are required to be spent on basic road maintenance and rehabilitation, critical safety projects, and several other transportation programs.

Specifically, SB 1 dedicates the revenues deposited into the RMRA for a number of program in fixed amounts annually: \$200 million for the Local Partnership Program to support self-help counties; \$100 million for the Active Transportation Program for bicycle and pedestrian infrastructure; \$400 million for state bridge and culvert maintenance and rehabilitation; \$25 million for freeway service patrols; \$5 million for workforce development programs (until 2021–22), \$25 million for regional and local planning grants; and \$7 million for transportation-related research. The remaining revenues are divided equally between the SHOPP and the Local Streets and Roads Program.

- 3) *Where does the interest go and where should it go?* The RMRA regularly carries a cash balance to ensure the availability of funds, similar to the General Fund and other special funds. The state deposits this balance in the interest-earning Pooled Money Investment Account (PMIA). The RMRA then receives associated interest earnings. For 2020–2021, these interest earnings are estimated to be \$30 million. RMRA revenue for local streets and roads programs is dispersed on a monthly basis and does not contribute toward state interest earnings because interest on these funds is earned in local investment accounts.

While SB 1 did dedicate revenue in the RMRA to fund specific programs, SB 1 did not dedicate interest earnings in the RMRA to specific purposes, therefore, the interest earnings accrue in the RMRA. To clarify the use of interest earnings on RMRA revenues, the CTC recommended in its 2019 and 2020 Annual Reports to the Legislature that the Legislature make statutory changes to assign RMRA interest earnings to the SHOPP. According to the CTC, “this recommendation is consistent with SB 1’s legislative intent for the SHOPP to receive the balance of funds remaining in the RMRA after the fixed distributions specified in statute.”

Citing the importance of protecting the investments made in the state highway system, Governor Newsom included a proposal in the May Revision to the 2021-2022 State Budget to appropriate accrued and future interest, through 2027-28, from the RMRA to accelerate SHOPP projects. The State Budget recently adopted by the Legislature, AB 128 (Ting, Chapter 21, Statutes of 2021), incorporates this proposal by appropriating roughly \$73 million in accrued interest in the RMRA to the SHOPP for the budget year.

AB 604 would ensure that this fiscal policy continues in future years by continuously appropriating interest earnings derived from revenues deposited in RMRA to Caltrans for the SHOPP.

### **Related/Prior Legislation**

AB 2310 (Daly, 2020) would have continuously appropriated interest earnings derived from revenues deposited in the RMRA to Caltrans for maintenance of the state highway system or for purposes of the SHOPP. The provisions of the bill were moved into AB 2285 (Committee on Transportation, Chapter 11, Statutes of 2020), but the provisions were later amended out in the Senate Appropriations Committee.

**FISCAL EFFECT:** Appropriation: Yes Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, continuous appropriation of approximately \$30 million annually in interest earnings from the RMRA to Caltrans for highway maintenance or SHOPP purposes. These funds would no longer be available for other allowable uses. (RMRA)

**SUPPORT:** (Verified 8/26/21)

Transportation California (source)

American Automobile Association of Northern California, Nevada & Utah

American Council of Engineering Companies of California

Associated General Contractors of California

Auto Club of Southern California

California Asphalt Pavement Association

California Construction & Industrial Materials Association

International Union of Operating Engineers, Cal-Nevada Conference

Northern California Carpenters Regional Council

Southern California Contractors Association

United Contractors

Vulcan Materials Company

**OPPOSITION:** (Verified 8/26/21)

None received

**ARGUMENTS IN SUPPORT:** According to the Auto Club of Southern California and American Automobile Association of Northern California, Nevada & Utah, “state voters have repeatedly sent messages they want gas tax revenues to be prioritized for core improvements to road conditions and safety. As millions of Californians grapple with lost wages, AB 604 will ensure them RRMA funds (including interest earnings) will be reserved to protect all road users from unexpected household costs caused by poor infrastructure.”

**ASSEMBLY FLOOR:** 75-0, 6/2/21

**AYES:** Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bloom, Boerner Horvath, Burke, Calderon, Carrillo, Cervantes, Chau, Chen, Chiu, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Fong, Frazier, Friedman, Gabriel, Gallagher, Cristina Garcia, Eduardo Garcia, Gipson, Gray, Grayson, Holden, Irwin, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

**NO VOTE RECORDED:** Bigelow, Bryan, Lorena Gonzalez, Jones-Sawyer

Prepared by: Melissa White / TRANS. / (916) 651-4121  
8/28/21 11:14:05

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