

Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

AB 2679 (Hadwick) – As Amended April 13, 2026

**SUBJECT:** Road Maintenance and Rehabilitation Program: State Highway Account loans: cities

**SUMMARY:** Authorizes a city that receives an annual apportionment from the Road Use and Maintenance Account (RMRA) that is \$200,000 or less, to request a supplemental apportionment from the State Highway Account (SHA) that it will repay with future apportionments from its RMRA apportionment. Specifically, **this bill:**

- 1) Authorizes a city to request from the State Controller a supplemental apportionment from the SHA if all of the following are satisfied:
  - a) The city's apportionment for the applicable fiscal year is no more than \$200,000.
  - b) The cost of the city's list of projects submitted to the California Transportation Commission (CTC) for the applicable fiscal year exceeds its apportionment.
  - c) The city identifies the amount of supplemental funding to be provided from the SHA as a loan that does not exceed either of the following and whichever is less:
    - 1) The difference between the cost of the city's list of projects provided to the CTC for that fiscal year.
    - 2) \$2 million.
- 2) Requires the city to agree to reimburse the supplemental amount of funding from the SHA with future RMRA apportionments.
- 3) Requires the State Controller to apportion the amount of money the city requests as a loan from the SHA if the Controller determines that the amount of supplemental funding is available as reserves in the SHA.
- 4) Requires a city receiving a supplemental apportionment to spend those funds on projects including but not limited to:
  - 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.

**EXISTING LAW:**

- 1) Creates the Road Maintenance and Rehabilitation Program to address deferred maintenance on the state highway system and the local street and road system and requires funds made available by the program to be prioritized for expenditure on basic road maintenance and road rehabilitation projects, and on critical safety projects. (Streets and Highways Code (SHC) §2030)
- 2) Continuously appropriates RMRA funds to each eligible county and city in the county for road maintenance and rehabilitation purposes. (SHC §2032)
- 3) After making specific appropriations outlined in the SHC, the balance of the revenues deposited in the RMRA are continuously appropriated as follows: 1) 50% for maintenance of the state highway system or for purposes of the state highway operation and protection program, and 2) 50% for apportionment to cities and counties by the Controller by formula specified in statute. (SHC §2023.5)
- 4) Prior to receiving an apportionment of funds and to be eligible to receive funds from the Controller an eligible city or county shall submit to the CTC a list of projects proposed to be funded with these funds pursuant to an adopted city or county budget. (SHC §2034)
- 5) Requires that funds apportioned by the Controller to cities, including a city and county, are in proportion to the total population that the city bears relative to the total population of all the cities in the state. (SHC §2103)
- 6) Allows the California Department of Transportation (Caltrans) to advance funds in the SHA to a local agency for all or a portion of the cost of a project approved for bond funding after the director has made a determination that there are adequate funds to advance without delaying or adversely impacting any other project. (SHC §183.4)

**FISCAL EFFECT:** Unknown

**COMMENTS:** *According to the author,* “Small cities in California receive a tiny share of road funding based on population that is impractical to use for road repair projects. As rural cities lose population, construction costs rise, and revenue falls, many cities cannot piece together enough funding for a project, causing delays while roads crumble. Assembly Bill 2679 allows small cities to receive a funding advance for transportation projects from the State Highway Account to be repaid from their Roadside Maintenance Rehabilitation Account allocation. This bill will accelerate transportation projects for under resourced cities and help repair crumbling roads.”

SB 1 (Beall) Chapter 5, Statutes of 2017, created the Road Maintenance and Rehabilitation Program (RMRP) to address deferred maintenance on the State Highway System and the local street and road system, and the RMRA for the deposit of various funds for the program. Half of the RMRA funding is allocated to Caltrans and the other half is apportioned by population to eligible cities and counties by the State Controller for basic road maintenance, rehabilitation, and critical safety projects on the local streets and roads system.

The allocation of these funds to cities is based on population. The Controller allocated nearly \$906 million to 481 cities in California in fiscal year 2024-25. The amount of funding that California's cities receive varies widely because of the significant variance in population. The chart below shows the 10 smallest and 10 largest RMRA allocations to cities. For more context, 77 cities received less than \$200,000 RMRA funds in 2024-25, and of those, 42 cities received less than \$100,000. Twenty four cities received less than \$50,000 and nine cities received less than \$10,000. The smallest amount received was approximately \$5,000 by two cities. Los Angeles received by far the most--\$106 million. San Diego was the next highest city receiving about \$38 million. San Jose received about \$28 million, San Francisco received \$23 million, and Fresno received nearly \$15 million.

**2024-25****10 Smallest RMRA Allocations**

|                  |          |
|------------------|----------|
| Amador City      | \$5,458  |
| Vernon City      | \$5,758  |
| Trinidad City    | \$8,378  |
| Sand City        | \$10,343 |
| Industry City    | \$11,762 |
| Tehama City      | \$11,843 |
| Point Arena City | \$12,553 |
| Etna City        | \$18,666 |
| Fort Jones City  | \$18,939 |
| Loyalton City    | \$20,139 |

**10 Largest RMRA Allocations**

|                    |               |
|--------------------|---------------|
| Anaheim City       | \$9,451,825   |
| Bakersfield City   | \$11,218,794  |
| Oakland City       | \$11,820,218  |
| Long Beach City    | \$12,669,892  |
| Sacramento City    | \$14,201,438  |
| Fresno City        | \$14,926,345  |
| San Francisco City | \$23,849,717  |
| San Jose City      | \$27,628,902  |
| San Diego City     | \$37,805,744  |
| Los Angeles City   | \$106,387,533 |

Cities are allowed to carry over unused funds; however, some of the smallest cities rarely accrue enough funding to spend their RMRA dollars. As a result, some of the smaller cities do not submit projects to the CTC for approval for funding. In 2023-24, only 469 cities of the estimated 480 cities submitted projects. In part, this may be explained by some of the very small cities in the state receiving very small annual allocations of less than \$100,000 annually, with a couple of cities receiving less than \$5,000 annually. For example, it would take Loyalton City which received about \$20,000 in 2024-25 nearly five years to save up for a \$100,000 project.

While smaller cities have fewer roads to maintain, their roads are still subject to degradation and with heavy truck volumes or weather conditions, such as snow, necessitating repair and replacement. Filling a single pothole typically costs between \$100 to \$400, but contractors may have minimum charges that approach as much as \$1,000. Thus, filling multiple potholes at one time can be more cost-effective. Even a very small active transportation project likely costs \$50,000 with most projects being in the low millions.

*Staff comments.* This bill intends to help the state's least populated cities spend their relatively small RMRA allocations in a meaningful way. This bill allows cities to essentially borrow from the SHA and repay that amount with future RMRA apportionments while capping advanced funding at \$2 million and subjecting borrowing to additional terms and conditions the CTC establishes. The State Controller retains the authority to ensure sufficient available reserves in the SHA prior to making an advance.

There is precedent for the approach this bill takes. For example, current state law allows Caltrans to advance funds in the SHA to a local agency for a project if certain bond funds are available to repay the advance. Similarly, AB 3090, Chapter 1243, Statutes of 1992, permits a local agency to enter into an agreement with the appropriate transportation planning agency, Caltrans, and the CTC to use its own funds to implement a project included in the State Transportation Improvement Program (STIP) and to receive a later reimbursement from STIP funds.

This bill leaves some administrative questions unanswered. This bill does not specify a process for applying for the advancement of funds nor a process for cities to repay RMRA funds. This bill also does not establish a process to determine if there are adequate funds to advance without delaying or adversely impacting any other project. In addition, the bill lacks accountability measures to ensure that borrowed funds are repaid.

Moreover, a cap of \$2 million may be too high for smaller cities and an alternative approach to setting the maximum amount a small city could advance should be considered. For example, for the smallest cities, borrowing \$2 million from future RMRA allocations would take them hundreds of years to repay. As an alternative, the amount a city could borrow could be capped at 25 times the amount it received in the most recent fiscal year. For example, a city that received \$5,000 last year could borrow up to \$125,000 from future RMRA allocations.

These are considerations and questions that the author's office should address if this bill continues to move forward. At the same time, the author should consider ways to minimize creating overly burdensome requirements for small cities or the State Controller.

*Prior legislation.* AB 604 (Daly) of 2021 would have continuously appropriated interest earnings derived from revenues deposited in the RMRA to Caltrans for maintenance of the state highway system. This bill was vetoed and the Legislature was directed to work with the Governor on a comprehensive transportation package.

SB 640 (Becker), Chapter 108, Statutes of 2021 authorizes two or more eligible cities, or one or more cities and a county, to propose a project be jointly funded with their respective local streets and roads apportionments, which are continuously appropriated each year from the RMRA and requires parties to jointly funded projects to endorse the project and funding through a memorandum of understanding (MOU), and requires the MOU to identify the project's lead agency and describe each party's contribution to the project.

SB 1 (Beall), Chapter 5, Statutes of 2017 also known as the Road Maintenance and Rehabilitation Act, dedicates approximately \$1.5 billion per year in new formula revenues apportioned by the State Controller to cities and counties for basic road maintenance, rehabilitation, and critical safety projects on the local streets and roads system.

Assembly Bill 115 (Committee on Budget), Chapter 20, Statutes 2017 and Assembly Bill 135 (Committee on Budget) Chapter 255, Statutes of 2017 added the Active Transportation Program, Local Partnership Program, Trade Corridor Enhancement Program, and Solutions for Congested Corridors Program to the list of programs authorized to receive Letters of No Prejudice, allowing an implementing agency to advance a project by expending its own funds, incurring reimbursable expenses, for any component of the project prior to allocation.

Assembly Bill 3090, Chapter 1243, Statutes of 1992, authorized a local agency to enter into an agreement with the appropriate transportation planning agency, Caltrans, and the CTC to use its own funds to implement a project in STIP and to receive a later reimbursement from STIP funds.

**REGISTERED SUPPORT / OPPOSITION:****Support**

None on file

**Opposition**

None on file

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