

COUNTY OF SANTA BARBARA

LEGISLATIVE ANALYSIS FORM

This form is required for the Legislative Program Committee to consider taking an advocacy position on an issue or legislative item

| | |
|--|----------------------------------|
| BILL NUMBER: SBx 1 1 | AUTHOR: Beall |
| INTRO/AMEND DATE: September 1, 2015 | AUTHOR'S POLITICAL PARTY: |
| BILL STATUS: Special Session Legislation | |

1) BILL SUBJECT:

Transportation funding and reform proposal.

2) FROM DEPARTMENT:

Public Works

3) IS THIS ITEM SPECIFICALLY REFERENCED IN THE LEGISLATIVE PLATFORM?

Yes

4) WHICH POLICY-RELATED MATTER IS OF CONCERN WITH THIS BILL?

Infrastructure Funding

5) HOW WOULD THIS BILL IMPACT THE COUNTY? (Current practices, responsibility, authority, pros/cons, affected programs and/or services, etc.)

Would provide a significant increase in State Gas Taxes to Santa Barbara County and Local Agencies.

6) IMPACT ON COUNTY PROGRAM:

Major

Minor

None

SANTA BARBARA COUNTY IMPACT:

Major

Minor

None

STATEWIDE IMPACT:

Major

Minor

None

Explanation of Impacts:

Would provide funding to maintain existing pavement conditions and transportation related infrastructure into the near future.

7) WOULD THIS BILL IMPACT (Legislative Principles):

a. Job growth and Economic Vitality?

YES

NO

b. Efficient service delivery and operations?

YES

NO

c. Fiscal stability?

YES

NO

d. Inter-agency cooperation?

YES

NO

e. Local control?

YES

NO

f. Health and human services?

YES

NO

g. Community sustainability and environmental protection?

YES

NO

Additional Comments:

Well maintained infrastructure is important to the longevity of the communities we serve.



COUNTY OF SANTA BARBARA

LEGISLATIVE ANALYSIS FORM

8) FISCAL IMPACT ON THE COUNTY:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Revenue Increase | <input type="checkbox"/> Revenue Decrease | <input type="checkbox"/> Unfunded Mandate |
| <input type="checkbox"/> Cost Increase | <input type="checkbox"/> Cost Decrease | <input type="checkbox"/> Undetermined |
| <input type="checkbox"/> None | | |

Additional Comments:

\$11,400,000 approximate annual increase in State Gas Taxes for Santa Barbara County.

9) OTHER AGENCIES THAT SHOULD REVIEW THIS BILL:

SBCAG

10) CSAC POSITION ON BILL:

- | | | |
|--|---------------------------------|---|
| <input checked="" type="checkbox"/> Support | <input type="checkbox"/> Oppose | <input type="checkbox"/> Support if Amended |
| <input type="checkbox"/> Oppose unless Amended | <input type="checkbox"/> Watch | <input type="checkbox"/> No position taken |

11) OTHER LOCAL OR STATEWIDE ORGANIZATIONS THAT HAVE TAKEN A POSITION ON THIS BILL:

(Indicate support or opposition for each)

Multiple organizations support.

12) PROPOSED AMENDMENTS: (Attach separate sheet)

13) RECOMMENDATION:

- | | | |
|----------------------------------|---|--|
| <input type="checkbox"/> Support | <input type="checkbox"/> Recommend Support to Board* | <input type="checkbox"/> Support if Amended |
| <input type="checkbox"/> Oppose | <input type="checkbox"/> Recommend Opposition to Board* | <input type="checkbox"/> Oppose unless Amended |
| <input type="checkbox"/> Watch | <input checked="" type="checkbox"/> Send to Board with No Position* | <input type="checkbox"/> No Position (Why?) |

* Indicates that the department believes that the Board of Supervisors should take a formal position on this bill

Additional Comments:

Policy decision of The Board.

14) LEGISLATIVE ANALYSIS FORM PREPARED BY: Scott McGolpin

Telephone extension: x3008

E-mail address: mcolpin@cosbpw.net



**SENATE COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE DEVELOPMENT****Senator Jim Beall, Chair
2015 - 2016 First Extraordinary**

| | | | |
|--------------------|-------------|----------------------|--------------|
| Bill No: | SBX1 1 | Hearing Date: | 8/19/2015 |
| Author: | Beall | | |
| Version: | 7/14/2015 | Vote: | 2/3 Required |
| Urgency: | Yes | Fiscal: | Yes |
| Consultant: | Randy Chinn | | |

SUBJECT: Transportation funding

DIGEST: This bill increases several taxes and fees to raise roughly \$4.3 billion in new transportation revenues annually, with the funding used to address deferred maintenance on the state highways and local streets and roads and to improve the state's trade corridors.

ANALYSIS:

- 1) *The need.* The Governor, in his 2015 inaugural address, noted that the state faces a \$59 billion shortfall over the next 10 years to adequately maintain the existing state highway system. Local governments have estimated the funding shortfall for maintaining existing local streets, highways, and bridges is \$78 billion over the same time period.
- 2) *Current taxes and fees.* Existing law imposes state taxes and fees related to transportation as follows:
 - a) Gasoline excise tax: \$0.30/gallon
 - b) Diesel excise tax: \$0.13/gallon
 - c) Diesel sales tax: \$0.27/gallon
 - d) Vehicle license fee (VLF): 0.65% of market value
 - e) Vehicle registration fee (VRF): \$43 per vehicle
 - f) Weight fees, for commercial vehicles only: up to a maximum amount of \$2,271
- 3) *How current taxes and fees are spent.* The details of how transportation taxes and fees are spent are complicated and confusing. In general, the gasoline and diesel excise taxes are spent exclusively on road maintenance and construction

SBX1 1 (Beall)

as provided for in the Constitution¹; vehicle license fees are spent on general fund obligations; vehicle registration fees are spent on Department of Motor Vehicles and California Highway Patrol operations; and weight fees are spent on paying the debt service on transportation bonds.

4) *Taxes and fees under this bill.* This bill increases taxes and fees, and creates new fees, as follows:

- a) Gasoline excise tax: \$0.12/gallon
- b) Diesel excise tax: \$0.22/gallon
- c) Road access charge: \$35 per vehicle annually
- d) VRF increase: \$35 per vehicle annually, plus an additional \$100 for zero-emission vehicles

Every three years, the fuel excise tax rates are adjusted based on the Consumer Price Index.

The table below summarizes where the new funding comes from and how much is forecast to be raised (assuming zero inflation):

| | RATE | PHASE | ADDITIONAL REVENUE BY YEAR (in millions) | | | | |
|-------------------------------|----------|----------|--|----------------|----------------|----------------|----------------|
| | INCREASE | IN (YRS) | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 |
| Excise on Gasoline (in cents) | 12 | 1 | \$1,752 | \$1,752 | \$1,752 | \$1,752 | \$1,752 |
| Road Access Fee | 35 | 1 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| VRF (in dollars) | 35 | 1 | \$1,000 | \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| Annual ZEV Fees (in dollars) | 100 | 1 | \$ 10 | \$ 12 | \$ 15 | \$ 20 | \$ 25 |
| Excise on Diesel (in cents) | 22 | 1 | \$ 572 | \$ 572 | \$ 572 | \$ 572 | \$ 572 |
| GF Loan Paybacks | | 3 | \$ 330 | \$ 330 | \$ 340 | \$ - | \$ - |
| Total New Revenue | | | \$4,664 | \$4,666 | \$4,679 | \$4,344 | \$4,349 |

5) *Where revenues are spent.*

- a) *No effect on current taxes and fees.* This bill does not affect how revenues from existing gasoline excise taxes, diesel excise taxes, VLF, and VRF are spent. It only affects the new revenues raised by this bill.
- b) *Most new funds spent on maintenance.* This bill creates the Road Maintenance and Rehabilitation Program. All funds raised by the tax and fee increases in this bill are deposited into the Road Maintenance and

¹ The Constitution also permits these taxes to be spent on the construction and improvement of mass transit guideway systems.

SBX1 1 (Beall)

Rehabilitation Account (RMRA), which is created within the State Transportation Fund, with the exception of \$0.12/gallon from the diesel excise tax increase, as described below. The RMRA funds shall be spent on basic road maintenance and rehabilitation and critical safety projects.

- c) *Accelerated loan repayment.* This bill provides that outstanding loans made to the General Fund from the State Highway Account, the Motor Vehicle Fuel Account, the Highway Users Tax Account, and the Motor Vehicle Account shall be repaid over three years, one third per year. The outstanding loan amounts are estimated at about \$1 billion. These funds will also be used to fund the road maintenance backlog as they are deposited in the RMRA. Funding to backfill the loss to the General Fund from the loan repayments will come from the Budget Stabilization Account (BSA, aka the Rainy Day Fund), which was revised in Proposition 2 of 2014 to focus on paying down state debts and unfunded mandates. The BSA balance at the beginning of FY 2015-16 is estimated to be \$1.6 billion.
- d) *State and local split.* These new funds raised by this bill are formulaically allocated to both state and local projects. Five percent is set aside for counties which pass local sales and use taxes for transportation purposes, and which have not previously passed such taxes. The remainder is split 50/50 between state and local projects. The local project funding is allocated pursuant to an existing statutory formula, where 50% goes to cities based on population and 50% goes to counties based on a combination of the number of registered vehicles and the miles of county roads. In order to receive these funds, the city and county must maintain their historic commitment to funding street and highway purposes by annually expending not less than the average of its expenditures for the 2009-10, 2010-11 and 2011-12 fiscal years. The California Transportation Commission (CTC) shall annually evaluate each agency receiving funds to ensure that the funds are spent appropriately.
- e) *Trade corridors.* Twelve cents of the diesel fuel tax increase, resulting in about \$300 million annually, shall be deposited in the Trade Corridors Improvement Fund. These funds are allocated by the CTC for infrastructure improvements on corridors that have a high volume of freight movement.
- 6) *Caltrans efficiency.* This bill requires Caltrans, by April 1, 2016, to provide the CTC with a plan to increase the department's efficiency by 30% over the prior three years. The savings shall increase the funding for the road maintenance and repair work.

SBX1 1 (Beall)

Beginning February 1, 2017, this bill requires the CTC to allocate all the capital and support costs for the State Highway Operation and Protection Program, and to approve any additional allocations for projects which exceed their budget. This is consistent with a recent recommendation of the Legislative Analyst's Office to improve oversight and accountability of transportation funds².

- 7) *Gas tax swap.* In 2010, sales tax rates on vehicle fuels were reduced and replaced with an increase in the fuel excise tax rate. The swap is intended to be revenue neutral, which requires annual recalculation of what sales taxes revenues would have been had the rate not been reduced and then a resetting of the fuel excise tax rate. This annual adjustment has led to sudden and steep variations in revenue, making it hard for state and local governments to plan their transportation programs. This bill eliminates the true up and instead imposes a more stable tax.
- 8) *Urgency.* This is an urgency statute.

COMMENTS:

- 1) *Purpose of bill.* According to the author, this bill solves a crisis that threatens our deteriorating streets and highways. California faces a \$137 billion combined state and local backlog of deferred maintenance that will grow by billions every year. The state transportation system is critical to California's economic well-being, as it enables us to move goods, people, and ideas around the state. SBX1 1 creates a much-needed funding plan to address the maintenance backlog of our aging systems. Under this bill, everyone who uses the roads will share in paying for the cost of these essential repairs.

SBX1 1 will provide more resources for the state to repair the infrastructure under its jurisdiction and it also distributes billions of dollars at the local level.

The author notes that the state has failed to keep pace with repairs due to several factors, including the diversion of road maintenance revenues for other uses and the decline of the gas tax revenue.

- 2) *What will this cost me?* For an average driver, using a typical vehicle value, average fuel efficiency, and driving 12,000 miles per year, the extra fees and taxes will result in direct cost increases of about \$130/yr³. Individuals who use more gas or diesel will pay more. By way of comparison, the slump in gasoline prices from their high of \$4.25 in the middle of 2014 to about \$3.25 per gallon

² 2015-16 Budget: "Capital Outlay Support Program Review". LAO, May 14, 2014.

³ 12,000 miles @ 24 miles/gallon x \$0.12/gallon = \$60 in additional gas taxes plus \$35 road access charge plus \$35 vehicle registration fee increase for a total of \$130.

SBX1 1 (Beall)

today will reduce gas costs for the average driver by over \$500/yr if prices stay at current levels.

- 3) *Lockbox.* Gasoline and diesel excise taxes may only be spent for transportation purposes, pursuant to Article XIX, Section 2 of the California Constitution. Fees on vehicles, other than in lieu property taxes (e.g., VLFs), may only be spent for transportation purposes pursuant to Article XIX, Section 3 of the Constitution. Consequently, all of the tax and fee increases imposed by this bill may only be spent for transportation purposes and may not be borrowed by the Legislature.
- 4) *Pay now or pay more later.* Engineers have observed that the cost of fixing roads is relatively low initially, but at some point the road wear starts to accelerate, greatly increasing the cost of repair. A study commissioned by the League of California Cities and the California State Association of Counties notes that many California streets are at the point of accelerating road wear. Without additional funding, the percentage of roads in failed condition will increase from 6% to 25% by 2024, greatly increasing the cost of repair. Inaction is costly.
- 5) *A good start, not a final solution.* As vehicle fuel efficiency rises and fossil fuel alternatives become increasingly available, gasoline and diesel taxes become less reliable and less-fair mechanisms to pay for the cost of roads. SB 1077 (DeSaulnier, Chapter 835, Statutes of 2014) required the CTC to study alternatives to fuel taxes, such as a road usage charge. That effort is underway, but new mechanisms for paying for roads aren't expected for several years; legislation will be required.
- 6) *Other states.* California's transportation funding shortfalls are shared by other states. According to the American Association of State Highway Transportation Officials database, 14 states have increased taxes and fees and dedicated that funding to transportation projects, including Georgia, Iowa, Pennsylvania, Utah, and Wyoming. Congress is also considering the issue, though there is little reason to expect any federal help.
- 7) *Another idea.* In February, the Speaker of the Assembly announced her plan to increase transportation funding by \$2 billion annually by establishing a road user charge or a flat annual fee for access to the road system, returning weight fees to transportation purposes, and accelerating the repayment of transportation loans. A bill to enact that proposal has not yet been introduced.
- 8) *Helping themselves.* As previously noted, the bill allocates 5% of revenues to counties whose voters approve a sales tax for transportation purposes, and who

SBX1 1 (Beall)

have not approved such a tax before. Each fiscal year, unallocated funds revert back and are split 50/50 between the state and local governments. This provision may need further work on its mechanisms and definitions.

9) *Technical amendment.* Page 16, line 3 after “gallon,” insert the following:

“including an inflation adjustment,”

RELATED LEGISLATION:

SB 16 (Beall)— this bill raises various transportation fees and taxes with a five year sunset for the same purposes as SBX1 1. *SB 16 is pending on the Senate floor.*

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

POSITIONS: (Communicated to the committee before noon on Thursday, August 13, 2015.)

SUPPORT:

Alameda Corridor-East Construction Authority
Alta Vista Solutions
American Council of Engineering Companies of California
Arup
Blackburn Consulting
Blair, Church & Flynn Consulting Engineers
Brelje & Race
California Asphalt Pavement Association
California Association of Council of Governments
California State Association of Counties
California State Council of Laborers
California Transit Association
CDM Smith, Inc.
CEI Engineering Associates, Inc.
City/County Association of Governments of San Mateo County
Covello Group, The
CSW/Stuber-Stroeh Engineering Group, Inc.
Diaz Yourman & Associates
Guida Surveying Inc.
Hatch Mott MacDonald
HMH Engineers

SBX1 1 (Beall)

Huitt-Zollars
Humboldt; County of
ILS Associates Civil Engineering And Land Survey
Infrastructure Engineering Corporation
Inland Foundation Engineering
JLB Traffic Engineering
Kimley-Horn
Kleinfelder
KPPF
Lane Engineers
Lawrence Nye Carlson Associates
League of California Cities
Leighton Consulting, Inc
Leptien, Cronin, Cooper, Morris & Poore, Inc
Long Beach; City of
Los Angeles; City of
Michael Baker International
MNS Engineers
Morton & Pitalo, Inc
MTC
Nasland Engineering
Ninyo & Moore
Oakland; City of
Professional Engineers in California Government
Quad Knopf
Rau And Associates
Rick Engineering Company
Rural County Representatives of California
SA Associates
SACOG
SCAG
Sacramento; City of
Santa Ana; City of
Santa Clara County Board of Supervisors
Santa Cruz; County of
San Francisco; City of
San Jose; City of
Silicon Valley Leadership Group
Southern California Association of Governments
Sukow Engineering
Tri City Engineering
Towill

SBX1 1 (Beall)

Transportation Agency for Monterey County
Ventura County Transportation Commission
Wagner Engineering & Survey
Yeh and Associates

OPPOSITION:

AAA of Northern California
Auto Club of Southern California
CalTax
Howard Jarvis Taxpayers Association

-- END --