



Date: May 2, 2007
 Committee Meeting Date: May 17, 2007
 Board Meeting Date: June 7, 2007
 ACTION X DISCUSSION INFO

BOARD MEMORANDUM

TO: Administration and Finance Committee
 Santa Clara Valley Transportation Authority
 Board of Directors

THROUGH: Michael T. Burns
 General Manager

FROM: Kurt Evans
 Government Affairs Manager

SUBJECT: Legislative Positions

RECOMMENDATION:

Policy-Related Action: Yes Government Code Section 84308 Applies: No

Adopt a support position for AB 256 (Huff), AB 945 (Carter) and SB 445 (Torlakson).
 Adopt an oppose position for SB 204 (Dutton).

BACKGROUND/DISCUSSION:

AB 256 (Huff) provides that excise tax revenues in the Highway Users Tax Account from the prior fiscal year are to be continuously appropriated and available for expenditure until the Budget Act for the new fiscal year is enacted.

This bill was primarily introduced to address cash-flow problems that could result from late state budgets and the refusal of the State Controller to release excise tax receipts from the Highway Users Tax Account to the State Highway Account for expenditure in the absence of an enacted budget. The legislation corrects these problems by providing a legal bridge that allows excise tax revenues to continue to flow to Caltrans, regional and local transportation agencies, and cities and counties regardless of the status of the state budget, thereby preventing delays or disruptions from occurring with regard to state and local transportation capital improvement projects. We recommend that the Board of Directors support this bill.

AB 945 (Carter) requires the California Transportation Commission (CTC) to develop a statewide assessment of: (a) the unfunded costs of programmed state transportation projects and projects for which there are federal earmarks; and (b) the available funding and unmet transportation needs statewide. Under the provisions of this bill, the CTC would be required to do this assessment every five years.

AB 945 is consistent with a 2004 recommendation by the Legislative Analyst's Office (LAO), which stated, "The first step in identifying a solution to a problem is identifying the scope of the problem. Yet, when it comes to transportation, there is currently no requirement that Caltrans or any other state entity assess and report on the state's overall transportation needs on a regular basis. While Caltrans and regional transportation planning agencies (RTPAs) must regularly update funding and scheduling documents, such as the State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (SHOPP), these documents provide no information about unfunded needs. Similarly, RTPAs are required to adopt 20-year, long-range planning documents under both state and federal law, but these documents are not compiled to provide a view of the state's needs as a whole."

In 1999, the CTC released its "Inventory of Ten-Year Funding Needs for California's Transportation System," which was completed in response to the passage of SR 8 (Burton). This study noted, "The report demonstrates substantial unfunded need for reinvesting in California's existing transportation systems. It also demonstrates the substantial funding requirements to expand those systems, both through lower cost operational improvements and through more costly capacity increases. These costs, while substantial, reflect the challenges of aging transportation systems and 'catching up' with three decades of population growth that out-paced highway and roadway capacity increases by a factor of over two, and growth in vehicle miles of travel that out-paced population by a factor of nearly three."

The CTC indicated that in compiling the SR 8 study, it contacted nearly 1,000 transportation agencies in the state through questionnaires and individual inquiries. From this information, it computed that California's 10-year funding need for transportation purposes was close to \$120 billion. However, the commission emphasized, "The report is essentially limited to a compilation of surveys. It does not offer a tightly integrated, prioritized, planning exercise. The various surveys have not been normalized for compatibility. Rather, the responses from all respondents have been summarized and assembled."

In light of the shortcomings of the 1999 report, the continued serious shortfalls in transportation funding, and the continued deterioration of California's transportation infrastructure, the CTC should update its 10-year needs assessment of the state's transportation system as soon as possible. AB 945 would accomplish that purpose, as well as ensure that such an assessment is done on a regular basis so that policy makers have current information about the state's unmet transportation funding needs. We recommend that the Board of Directors support this bill.

SB 445 (Torlakson) establishes a 14-member Road User Task Force for the purpose of studying alternatives to the current system of taxing road users through per-gallon fuel taxes. Under the provisions of the bill, the Task Force would be required to report its findings to the Legislature and Governor by January 1, 2009.

Since 1922, California has imposed a per-gallon excise tax on gasoline. In the 1930s, the excise tax was extended to diesel fuel. Through the passage of Proposition 111 in 1990, the gas tax, which was 9 cents per gallon at the time, was immediately increased by five cents, and then by one penny per year until 1994, when it reached its current level of 18 cents per gallon. However, beginning with the fuel price shocks of the 1970s, gas tax revenues began losing purchasing power to inflation. In addition, federal fuel economy standards have further slowed the growth in gas tax revenues. At the same time, motor vehicle travel in California continues to grow. Since 1994, motor vehicle miles traveled on state highways has increased from 144.2 billion to 183.4 billion miles, a 27 percent increase.

SB 445 is modeled on the National Surface Transportation Policy and Revenue Study Commission established in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which was enacted in 2005. The bill is intended to create a forum to analyze the impact of the increased use of alternative fuels and enhanced motor vehicle fuel efficiency on the amount of state gas tax revenues available for transportation programs and to identify alternative revenue sources that would offset any decline in the gas tax. SB 445 would create an opportunity to examine options for generating additional transportation funds and to build a consensus for future legislative action. We recommend that the Board of Directors support SB 445.

SB 204 (Dutton) requires revenues generated from the sale of property, the sale of documents and other transactions by Caltrans to be credited to the State Highway Account and used for state highway expenditures.

Article 19 of the California Constitution requires that revenues derived from the 18-cent-per-gallon state excise tax imposed on gasoline and diesel fuel, as well as certain motor vehicle fees, be deposited in the State Highway Account. Revenues in the account may be used for the maintenance, rehabilitation and construction of state highways, and for the organization of Caltrans. In addition, Article 19 permits the use of excise tax revenues for the construction of public mass transit guideways, but not for the acquisition of public transit vehicles or for the payment of public transit operating subsidies.

Under existing law, revenues deposited in the State Highway Account not protected by Article 19 are required to be transferred to the Public Transportation Account (PTA) for mass transit purposes. These revenues, which in recent fiscal years have amounted to approximately \$80 million annually, are derived by Caltrans from the sale of documents, the sale of excess property, rental income, and miscellaneous fees from other similar transactions. SB 204 terminates the transfer of these revenues to the PTA and, instead, requires that they remain in the State Highway Account and be expended for state highway purposes.

California is suffering from an historic under-investment in transportation infrastructure, a situation that has been exacerbated in recent years by the borrowing of transportation dollars to fix General Fund deficits. Rough estimates recently compiled by the CTC peg the amount of unfunded transportation needs in the state at close to \$200 billion over the next 10 years. All transportation modes—state highways, local streets and roads, public transit, and bicycle and pedestrian facilities—are suffering as a result of this situation. Given these circumstances, we do not believe that SB 204's approach of taking money away from one transportation mode to fund another is appropriate. Therefore, we recommend that the Board of Directors oppose this bill.

ALTERNATIVES:

The Board of Directors could decide to adopt positions that are different from those being recommended, or could opt to take no position on any of these bills at this time.

FISCAL IMPACT:

There is no immediate fiscal impact associated with this recommendation.