

Date: April 18, 2008

Committee Meeting Date: April 17, 2008

Board Meeting Date: May 1, 2008

**BOARD MEMORANDUM**

**ACTION ITEM**

**TO:** Santa Clara Valley Transportation Authority  
Board of Directors

**THROUGH:** Michael T. Burns  
General Manager

**FROM:** Kurt Evans  
Government Affairs Manager

**SUBJECT:** Support Position for AB 1815 (Feuer)

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**Policy-Related Action: Yes**

**Government Code Section 84308 Applies: No**

**RECOMMENDATION:**

Adopt a support position for AB 1815 (Feuer), which calls for creating a 14-member California Transportation Infrastructure Funding Task Force to develop a report for the Governor and Legislature on alternatives to the current system of funding transportation infrastructure in the state by taxing road users through per-gallon fuel taxes.

**BACKGROUND:**

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 annually, a 27 percent increase. Similarly, travel on local streets and roads over the same period increased by 12 percent, from 127.6 billion to 143 billion vehicle miles traveled annually. Collectively, both the state and local systems support nearly 20 percent more traffic today than just 14 years ago.

Therefore, the trend is not favorable. Over time, the per-gallon fuel tax will become a less effective mechanism for meeting California's long-term transportation needs.

## **DISCUSSION:**

Per-gallon taxes on gasoline and diesel fuel are the dominant sources of funding for maintenance and expansion of state highways and local streets/roads in California. The revenues currently available for state highways and local streets/roads are inadequate to preserve and maintain existing infrastructure, and to provide funds for improvements that would reduce congestion and improve mobility. Increased vehicle fuel efficiency provides valuable energy conservation and environmental benefits. However, per-gallon fuel taxes will steadily generate fewer revenues in the future as vehicles become more fuel efficient and alternative sources of fuel are identified. Declining revenues per vehicle miles traveled, coupled with inflation and increasing construction costs causes this revenue source to fall short of meeting the state's transportation revenue needs.

AB 1815 establishes a 14-member California Transportation Infrastructure Funding Task Force for the purpose of considering and making recommendations regarding alternatives to the current system of funding transportation infrastructure in the state through per-gallon excise 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, 2010.

AB 1815 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). 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. AB 1815 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 AB 1815.

## **ALTERNATIVES:**

The Board of Directors could decide to adopt a position for AB 1815 that is different from the one being recommended, or could opt to take no position on this bill at this time.

## **FISCAL IMPACT:**

There is no immediate fiscal impact associated with this recommendation.

## **STANDING COMMITTEE DISCUSSION/RECOMMENDATION:**

The Administration and Finance Committee considered this item on April 17, 2008, and unanimously supported the staff recommendation. Director Don Gage commented that the crux of California's transportation funding problem stems from actions taken by the Governor and Legislature in recent years to divert gasoline sales tax dollars intended for transportation to the General Fund. He noted that preventing the Governor and Legislature from using transportation dollars for non-transportation purposes would go a long way toward fixing the problem.

In response to a question from Director David Casas, staff noted that the language in AB 1815 with regard to the duties of the California Transportation Infrastructure Funding Task Force was written broadly enough to allow the Task Force to consider a wide array of options with regard to: (a) potential alternative transportation funding sources; and (b) how to handle the gas tax.

Committee Chairperson Forrest Williams commented that as the state implements policies to reduce greenhouse gas emissions and to increase the use of alternative fuels, it is important to look at how gas tax revenues would be impacted and whether that funding source would be able to generate enough money to meet California's future transportation infrastructure needs. Chairperson Williams also inquired as to whether the Task Force would be part of the Governor's Office. Staff responded that the Task Force would be an independent entity and temporary in nature. Under the provisions of AB 1815, the Task Force is required to provide a report on its findings and recommendations to the Governor and Legislature by January 1, 2010, and then it would sunset at that time.

Prepared by: Kurt Evans, Government Affairs Manager