

## Transportation Proposal:

The California Transportation Commission estimates that California's transportation infrastructure has an unmet need of about \$296 billion over the next ten years.<sup>i</sup> Some of this unmet need will be met by federal and local funding initiatives. However, in recent years, California has diverted funding from our transportation system during the fiscal crisis. As the state's fiscal health improves, Republicans believe that investing in California's transportation system will have significant impacts on the economy and overall job's climate. In fact, it is estimated that over the next ten years transportation projects would add between 77,000 and 108,000 jobs annually and \$110 to \$140 billion to the Gross State Product.

**Republican Proposal:** Provide \$2.5 -9 billion in one-time funds  
Provide \$2.4 billion annually for transportation infrastructure programs.

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|---|--------------------------|
| 1. Repay Transportation Loans   | \$2.5 billion (One-time) |
| 2. Repurpose High Speed Rail Bonds  | \$8 billion (One-time)   |
| 3. Dedicate transportation Taxes to transportation infrastructure (2015)  | \$1.5 billion (Annually) |
| 4. Restore the Use of Vehicle Weight Fees for Highway Improvement. (2016) | \$900 million (Annually) |

### Key Points:

- The Republican proposal would provide billions in funding for local streets and roads and infrastructure without raising taxes.
- The proposal pays down the wall of debt by making paying back transportation loans a budget priority.
- The proposal would fulfill the promise of Proposition 42 which was passed by the voters in 2002 by 69% of the vote. Proposition 42 was premised on the idea that taxes paid on transportation products should be dedicated to transportation programs.
- The proposal would end the disastrous high speed rail proposal and redirect those funds to road construction, road repair and rail projects that are focused on goods movement that will help with job creation.

### Background on Proposals:

#### One-time Proposals:

- 1. Repayment of Transportation Loans. \$2.5 billion (one-time)**  
Since 2001, the Legislature has authorized a series of General Fund loans from various key transportation funds, including the Transportation Congestion Relief Fund, the State Highway Account (SHA) and the Public Transportation Account (PTA) totaling \$3.4 billion. In March 2002, Proposition 42 was passed to permanently dedicate revenues from the state's share of the sales tax on gasoline to transportation projects. However, as state budget shortfalls continued, Proposition 42 transfers were suspended, creating an additional \$1.5 billion in Proposition 42 loan balances. To date, \$2.534 billion of these loans have yet to be repaid, creating cash flow issues and project delays. Under current law (AB 115 of 2011), the majority of this balance repayment would be postponed and repaid in small increments through June 30, 2021. The Governor's January proposal proposes to repay \$340 million

**Republican Proposal:** After education and other programs receive their mandated allotments, this proposal will require that a share of unanticipated revenue shall be used to repay loan balances. Unanticipated revenues are revenues that the state collects above what the Governor's January Budget assumes. In May of last year, there was \$2.8 billion in unanticipated revenues available for 2012-13.

## **2. Return High-Speed Rail to the Voters.**

**\$9.3 billion (one-time)**

When voters in 2008 narrowly approved the sale of \$9.95 billion in bonds for high-speed rail, they were told the project would cost \$33 billion, and be funded equally by state, federal, and private contributions. They were told the project would only move forward when the funding was available and that trains would travel between San Francisco and Los Angeles/Anaheim in 2 hours 40 minutes, and that the system would operate without any public subsidy. Since 2008, the price tag has ballooned to between \$68-\$80 billion, and no additional federal or private funds have materialized. The project is advancing without any reasonable expectation that the funds will be available to complete it. Political considerations slowed down projected train speeds so that it can no longer be considered "high-speed," and shifted initial construction to the Central Valley, where the need for a public subsidy is all but assured. A Sacramento Superior Court judge has found the project is no longer consistent with what voters approved, and halted the use of bond funds. Public opinion has also shifted dramatically, with 70% of voters in favor of placing the proposal back on the ballot.

**The Republican Proposal:** The Republican proposal will enable voters to scrap high-speed rail, and redistribute \$9 billion in bond funds to fund highway maintenance, highway construction, and port and freight infrastructure improvement projects. The proposal specifically would redirect funding as follows:

- 40% to highway maintenance,
- 40% to highway construction, and
- 20% to port and freight infrastructure improvements projects identified in the state's freight plan.
- This proposal maintains the current bond commitment to the "bookend" investment in regional rail contained in the original high speed rail bond proposal. (\$1.1 billion) and the \$995 million recently authorized for connectivity projects. This means that \$8 billion would be available for the 40/40/20 split.

**Note:** The Governor's January budget proposal did not assume any new bond sales and instead diverted \$250 million in cap-and-trade to keep the project above water, a maneuver described by Sacramento Bee columnist Dan Walters in today's column as "dumping more money into a bottomless rat hole."

### **On-going Proposals:**

## **3. Dedicate Taxes Paid on Transportation Programs to fund Transportation Infrastructure**

**\$1.5 billion (annually)**

Proposition 42 was passed in 2002 by 69% of the voters. The premise of Proposition 42 was that taxes paid on transportation goods should be dedicated to fund transportation infrastructure. Since the passage of Proposition 42, dedicated sales tax revenue has been partially transferred or loaned to the General Fund in order to pay past debt on transportation projects and balance General Fund shortfalls. In 2006, Proposition 1A limited the conditions under which the Proposition 42 transfer of

gasoline sales tax revenues for transportation uses can be suspended. In addition, the courts have ruled in favor of the California Transit Association that Proposition 42 funds could not be used for debt service.

To circumvent these legal restrictions, the Legislature enacted a “gas tax swap” – a functional repeal of Proposition 42 to exempt gasoline from the 6.0% state sales tax, costing the state approximately \$2.5 billion annually. To offset this loss, the bill increased the excise tax on gasoline by 17.3 cents in 2010-11. Thereafter, the Board of Equalization would adjust the excise rate to match what the eliminated sales tax on gasoline would otherwise provide, as measured by Board computer models. This increase and auto-adjustment provided revenue neutrality. On March 1, 2013, the Board raised the tax by 3.5 cents pursuant to this law.

In addition and similarly to the gas tax, the bill increased the sales tax on diesel fuel and decreased the excise tax on diesel by 4.4 cents. These statutory changes effectively reduced funding for local transit and local street projects managed by non-state entities by approximately \$1.5 billion annually.

**The Republican Proposal:** This proposal would reverse these actions by restoring the original intent of Propositions 42 and 1A beginning in 2015-16 budget and dedicate taxes paid on transportation fuel to transportation infrastructure. The proposal would allocate those additional resources in the formula currently being used (44% STIP, 44% Local and 12% SHOPP)

**Note:** 75% of STIP funding is for the Regional Transportation Improvement Program-with funds distributed to regional transportation planning agencies.

#### **4. Restore the Use of Vehicle Weight Fees for Highway Projects. \$900 million (annually)**

As part of the “gas tax swap” in 2010, vehicle weight fees were redirected from the State Highway Account to the General Fund to provide transportation-related bond debt service (the plan originally envisioned that the “swap” gasoline excise tax would be used for these purposes, but this was preempted by passage of Proposition 22 in 2010).

**The Republican Proposal:** This bill will recapture vehicle weight fees starting in 2016, restoring approximately \$900 million in annual funding for highway projects. Now that the budget crisis is over, there is no longer a need to use weight fees for providing General Fund relief. These fees are levied to offset the impact of commercial trucks on the roadway, and the revenue should appropriately be used to fund highway repair projects.

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<sup>i</sup> In 2011, the California Transportation Commission released a needs assessment report that estimated that over the next ten years California’s transportation system will need \$536.2 billion in revenues. Specifically, the cost of system preservation (rehabilitation and maintenance) to bring transportation facilities into a state of good repair is estimated at \$341 billion and the cost of system expansion and management (based on fiscally constrained regional transportation plans) is an estimated \$197 billion. However, the revenue from all funding sources is estimated at \$240 billion, which is only 45 percent of the estimated total need. This leaves a shortfall of about \$296 billion for the next 10 years. (Statewide Transportation Needs Assessment )