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Jumpstart the State Investment in Transportation Infrastructure Transportation Taxes for Transportation Purposes

Ongoing Funding:

Dedicate weight fees to transportation purposes:	\$1 billion
Cap-and-trade (revenues from applying cap-and-trade to transportation fuels)	\$1.9 billion
End cap-and-trade commitment to high speed rail	<u>(\$500 million)</u>
	\$2.9 billion ongoing

One-time Funding:

Payback Transportation Loans (Misc.) – Prop. 2	\$200 million
Payback Pre-Proposition 42 Loans – Prop. 2	\$900 million
Payback weight fee loan – Prop. 2	<u>\$1.3 billion</u>
	\$2.4 billion one-time

Long Term commitment To Transportation Funding:

SCA 7	Protects existing and future taxes
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Making Caltrans More Efficient

The Legislative Analyst's Office has reported that the Capital Outlay Support (COS) program at Caltrans "*generally lacks accountability and is not operating efficiently.*" The LAO recommended significant staffing reductions that could free up as much as \$500 million for other transportation needs. Additionally, the Senate Democrat measure to fund transportation infrastructure (SB 16, Beall) includes a specific requirement that the department increase efficiency by up to 30 percent over three years. The ongoing savings experienced through this increased efficiency must result in increased capital expenditures in the department's state highway operation and protection program or an increase in the department's state highway maintenance program.

Background

Weight Fees: In 2010, the legislature began diverting transportation funding to the General Fund to pay for debt service. This was authorized in statute by two measures; AB x8 6 (2010) and AB x8 9 (2010). In response, Proposition 22 was passed by the voters. Prop. 22 closed the door on the use of excise taxes for this purpose. Unfortunately, Prop. 22 inadvertently authorized the use of other transportation funds for debt service payments. In 2011, the legislature began diverting truck weight fees to pay for debt services on previously authorized transportation bonds. This was authorized by AB 105 (2011). To date, transportation bonds are the only General Obligation bond being paid for by a special fund instead of the General Fund. This diversion is approximately \$1 billion a year. The four proposals pending in the Legislature propose to end the weight fee diversion (Senate Republican Caucus proposal SCA 7, Speaker's January proposal, Senator Beall's SB 16 and Assemblyman Linder's AB 4. SCA 7 is the only measure that constitutionally protects weight fees).

Cap-and-Trade for Transportation Infrastructure: Republicans did not support the imposition of cap-and-trade taxes but if the Legislature is going to spend the money, it should be used to reduce emissions by reducing congestion on our streets and roads.

Dedicate cap-and-trade funding raised from the tax on gasoline production for transportation purposes: After the state imposed the cap-and-trade tax on gasoline production in January, the Governor's budget is projecting \$2.2 billion from the pollution fund to spend in the fiscal year that begins July 1 — more than double what was available last year. Revenue has surged because cap and trade now applies to transportation fuels, the source of roughly 40% of the state's carbon emissions. The Legislative Analyst's office projects that the imposition of cap-and-trade on gas production will raise \$1.9 billion this year. This money is raised by taxing consumers (through a pass through increased cost of gasoline) and should be put back into repairing our streets and roads.

End High Speed Rail Funding: By law, all revenue from cap-and-trade must be used to reduce greenhouse gas emissions, the goal of the legislation that created the program. Currently, the Governor is proposing to dedicate \$500 million to high speed rail. \$250 million is the base funding amount. \$250 million was proposed as part of his May Revision proposal. The nonpartisan legislative analysts have warned, the process of building the train could increase greenhouse gas emissions over the next several years — a contradiction of the cap-and-trade goal. This money should instead be used for repairing our streets and roads. This funding is part of the cap-and-trade funding raised from the tax on gasoline production.

***Note:** The Republican proposal would not end the use of cap-and-trade funding for affordable housing. Projects using the money are supposed to be built in ways that encourage public transportation, walking or biking, and a government commission is scheduled to announce the first grants this summer.*

Loans & Proposition 2: This proposal would make repayment of transportation loans a Prop. 2 priority. The governor proposes to use \$1.9 billion in Prop. 2 to retire debt this year. Only about \$100 million is related to transportation loans. The 2015-16 budget year Prop. 2 resources would grow by an additional \$760 million if the Legislature accepts the LAO's increased revenue numbers. This money and any

future Prop. 2 funding in the future could be used to repay transportation funding to put people immediately to work and to repair our streets and roads.

Outstanding Transportation Loans:

Wall of Debt Loans: Since 2001, the Legislature has authorized a series of General Fund loans from various key transportation funds totaling \$3.4 billion. To date, \$1 billion of these loans have yet to be repaid, creating cash flow issues and project delays. The governor's 2015-16 budget proposes to only repay about \$100 million.

Pre-Proposition 42 Loans: According to Assembly Budget Subcommittee 3, during the last fifteen years, transportation funds have been loaned from various Caltrans programs to the General Fund. Most of these loans were included on the list of special fund loans and the governor's "Wall of Debt" and are on track to be repaid in the next year. However, \$879 million of borrowing that occurred in 2001-02, prior to the passage of Prop. 42, is not included on this list, in part because language exists to repay these loans with tribal gaming revenue. However, this tribal gaming revenue is not expected to be available for another five years. Some of these funds were committed to projects, which have been moving forward by borrowing other funds. By making pre-Prop. 42 funds available for Prop. 2 funds, they can be repaid earlier. Note: The Assembly budget includes this action.

Weight Fee and Other Transportation Tax Loans: In 2010, the legislature began diverting transportation funding to the General Fund to pay for debt service. This was authorized in statute by two measures; AB x8 6 (2010) and AB x8 9 (2010). In response, Prop. 22 was passed by the voters. Prop. 22 closed the door on the use of excise taxes for this purpose. Unfortunately, Prop. 22 did not protect the use of other transportation funds for debt service payments. In 2011, the legislature began diverting truck weight fees to pay for debt services on previously authorized transportation bonds. This was authorized by AB 105 (2011). To date, transportation bonds are the only General Obligation bond being paid for by a special fund instead of the General Fund. This diversion has been approximately \$1 billion a year for approximately a total of \$5 billion. Additionally, the state has been loaning "excess" weight fees (i.e., weight fee revenue received that was in excess of what was needed to pay transportation G.O. Bond debt obligations) to the General Fund to support future transportation G.O. bond debt service. Therefore, the state has borrowed about \$1.3 billion and used it for other purposes. Acknowledging this debt will enable the state to use Prop. 2 funds to repay the borrowed funding.

SCA 7 (Huff): SCA 7 would guarantee that all existing transportation taxes are spent on transportation projects. It would ensure that future increases could only be used for construction, maintenance and improvements to transportation infrastructure. Bonds or debts could not be paid with these funds.

