



To: RCRC Board of Directors
From: Paul A. Smith, Vice President Governmental Affairs
Date: April 17, 2018
Re: Repeal of Senate Bill 1 (Beall) Initiative - **ACTION**

Summary

This memo provides a summary on an initiative proposal – “Voter Approval for Increases in Gas and Car Tax” - that would repeal the recently-enacted Senate Bill 1 (Beall), which increased taxes and fees on motorists and dedicates those monies for road repair and transportation funding purposes. RCRC staff is recommending the Board of Directors adopt an “Oppose” position on this repeal effort.

Background

In general, the excise taxes and fees on gasoline and diesel fuel serve as the foundation for funding road maintenance and construction at the state and local levels. Fees derived from vehicle registrations are placed in the Motor Vehicle Account and help fund the activities of the Department of Motor Vehicles and the California Highway Patrol. Truck weight fees are currently used to satisfy State General Fund debt associated with Proposition 1B, the transportation bond proposal enacted in 2006.

In March 2017, the RCRC Board of Directors adopted a “Support” position for Senate Bill 1 (Beall) and its Assembly counterpart, Assembly Bill 1 (Frazier), to better fund state and local transportation needs. Shortly after the endorsement, SB 1 was enacted into law to provide approximately \$52 billion in new transportation revenues (over a 10-year period) to address the approximately \$6 billion annual state and \$8 billion annual local transportation maintenance backlog.

Specifically, SB 1 provides the following:

- **Transportation Loan Repayments:** SB 1 repays \$706 million in transportation loans made to the State General Fund. Most of these repayment funds will be used to fund the road maintenance backlog;
- **Gas Excise Tax:** SB 1 increased the gas tax by \$0.12 per gallon, and also eliminated the Gas Tax Swap, thereby resetting the price-based gas tax to its 2010 level of \$0.173 (which will occur in July of 2019). The entirety of the gas excise tax would be indexed to inflation once a year, commencing in 2020. When fully implemented, the cumulative state excise tax rate would be \$0.473 per gallon (the current cumulative state excise tax rate is \$0.278 per gallon);

- Diesel Excise Tax: SB 1 increased the diesel excise tax by \$0.20 per gallon and indexes the tax to inflation. Half of the proceeds from the increase in the diesel excise tax would fund trade corridor improvements for freight mobility and the other half for road maintenance (the current state diesel excise tax is \$0.16 per gallon);
- Diesel Sales Tax: SB 1 increased the sales tax on diesel from the current 1.75 percent to 5.75 percent to better fund rail and transit operations, the only source that can fund transit operations under existing state constitutional requirements;
- Zero Emission Vehicles: SB 1 imposes a \$100 surcharge on zero emission vehicles at the time of renewal for model years 2020 and later. This is in addition to the increase in the Vehicle Registration Fee on all vehicles (zero emission vehicles currently do not contribute to road maintenance); and,
- Vehicle Registration Fee (VRF): SB 1 increased the VRF by an amount based on the market value of the vehicle in the following manner:

Vehicle value range	Annual rate	Percent of registered vehicles
\$0 - \$4,999	\$ 25	46.3%
\$5,000 - \$24,999	\$ 50	41.1%
\$25,000 - \$34,999	\$ 100	7.0%
\$35,000 - \$59,999	\$ 150	4.6%
\$60,000 and up	\$ 175	1.0%

More than 60 percent of the proceeds raised directly from SB 1 are to be split evenly between the State and local governments. The anticipated \$1.5 billion annual local government share would be divided equally between cities and counties for local streets and roads under existing distribution formulas. The California Transportation Commission (CTC) is required annually to evaluate each agency receiving funds to ensure that the funds are spent appropriately.

The anticipated \$1.5 billion annual State share of the revenues would be directed to the State Highway Operation and Protection Program (SHOPP). Proceeds would be available for addressing deferred maintenance on the existing State highways.

In addition, SB 1 makes a number of transportation-related reforms, including:

- Creating the Office of Transportation Inspector General within the State Department of Transportation to oversee state spending on transportation; and,
- Increasing CTC oversight and approval of the SHOPP program.

Issue

In late November 2017, an SB 1 repeal effort was launched. As of mid-January, the initiative had reached 25 percent of signatures needed to qualify for the November 2018 ballot. The measure is fully expected to qualify and appear on the November General Election Ballot.

The “Voter Approval for Increases in Gas and Car Tax” measure not only repeals SB 1’s tax and fee provisions, it also would require the Legislature to submit any measure enacting specified taxes or fees on gas or diesel fuel, or on the privilege to operate a vehicle on public highways, to voters for approval.

Staff Recommendation

RCRC staff is recommending that the RCRC Board of Directors adopt an “Oppose” position on the “Voter Approval for Increases in Gas and Car Tax.” RCRC staff believes this effort overturns the RCRC Board of Directors’ action last year where the Board supported SB 1 by a vote of 19-6 with one abstention. Furthermore, RCRC staff is concerned with the provision that requires all increases in transportation-related taxes or fees be submitted to the voters for approval.

Attachments

- Copy of the “Voter Approval for Increases in Gas and Car Tax” Measure (17-0033)
- Copy of Legislative Analyst Office Summary