Overview of Transportation Funding

Presented to:
Assembly Budget Subcommittee No. 3
  On Resources and Transportation
Hon. Richard Bloom, Chair
In 2013-14, we estimate approximately $27 billion in transportation revenues will be provided from all levels of government.

Local governments provide almost half of all transportation funding in California. Local transportation funding sources are varied and include local sales taxes, transit fares, development impact fees, and property taxes.

About one-fourth of the state’s transportation funding will be received from the federal government, mainly through the surface transportation program “Moving Ahead for Progress in the 21st Century Act” or MAP-21.

The remaining one-fourth of transportation funding comes from a variety of state revenue sources.
Total state transportation revenues have roughly doubled over the past 15 years—from $3.5 billion in 1999-00 to an estimated $7.2 billion in 2013-14.

This revenue comes from three main sources: (1) excise taxes on gasoline, (2) vehicle weight fees, and (3) sales and excise taxes on diesel fuel.
Gasoline Excise Taxes: Revenues and Uses

State and Federal Gasoline Taxes

2013-14

- State “Swap” Excise Tax (21.5 cents)
- State Base Excise Tax (18 cents)
- Federal Excise Tax (18.4 cents)
- Base Price

* Figure does not include other statewide and local taxes.

- **State Base Excise Tax.** The state collects a base excise tax of 18 cents per gallon of gasoline. In 2013-14, this tax is estimated to generate $2.6 billion. Two-thirds of the revenue is deposited into the State Highway Account (SHA) and one-third is allocated for local streets and roads. The SHA funds the California Department of Transportation administration, maintenance, and the State Highway Operation and Protection Program (SHOPP).

- **State “Swap” Excise Tax.** The state also collects a variable excise tax on gasoline. For 2013-14, this tax will be set at 21.5 cents per gallon and is estimated to generate approximately $3 billion. The first $946 million of this revenue is deposited into the SHA to backfill the loss of weight fee revenue, as discussed later. Of the remaining revenue, 44 percent is allocated for local streets and roads, 44 percent for the State Transportation Improvement Program, and 12 percent for SHOPP.
Diesel Taxes: Revenues and Uses

State and Federal Diesel Fuel Taxes

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>State “Swap” Sales Tax</td>
<td>1.94%</td>
</tr>
<tr>
<td>State Base Sales Tax</td>
<td>4.75%</td>
</tr>
<tr>
<td>State Excise Tax</td>
<td>10 cents</td>
</tr>
<tr>
<td>Federal Excise Tax</td>
<td>24.4 cents</td>
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<tr>
<td>Base Price</td>
<td></td>
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</tbody>
</table>

* Figure does not include other statewide and local taxes.
* This rate is effective for 2013-14 and will decrease to 1.75 percent for 2014-15 and thereafter.

**State Base Sales Tax.** The state collects a base sales tax of 4.75 percent on diesel fuel. In 2013-14, this is estimated to generate $440 million. Half of this revenue is allocated to the State Transit Assistance (STA) program, which provides funding for local mass transportation. The other half is used to fund state-supported intercity rail and other state mass transportation programs.
Diesel Taxes: Revenues and Uses  (Continued)

☑ *State Swap Sales Tax.* The state also collects a variable sales tax on diesel fuel, which is set at 1.94 percent in 2013-14. All of the revenue from this tax, about $171 million in 2013-14, is allocated to the STA.

☑ *State Excise Tax.* In addition, the state collects a variable excise tax on diesel fuel. For 2013-14, this tax will be set at 10 cents per gallon and is estimated to generate about $288 million. The first 6 cents of this tax is allocated directly to local governments for local streets and roads and the rest is deposited into the SHA.
Weight Fees and Bonds

✓ Use of Bonds for Transportation
   ■ In addition to ongoing revenues from fuel taxes, the state has issued general obligation bonds in order to pay for transportation projects. The largest such bond measure was Proposition 1B (2006), which authorized the state to sell $20 billion in bonds to finance transportation projects.
   ■ The Governor’s budget estimates that the debt-service costs on Proposition 1B and other outstanding transportation bonds will be about $1.1 billion in 2013-14.

✓ Debt Service for Transportation Bonds
   ■ Vehicle weight fees are used to pay the debt-service cost on transportation bonds rather than the General Fund. For 2013-14, the Governor’s budget uses all $946 million in weight fees to benefit the General Fund. Of this amount, $907 million is to pay debt service and $39 million is loaned to the General Fund and set aside for future debt service.
   ■ In addition, the Governor’s budget proposes to use miscellaneous revenues in the SHA to pay transportation debt service on an ongoing basis.
2011 Statewide Transportation System Needs Assessment

☑️ Assessment Findings

- In 2011, the state’s metropolitan planning organizations and Caltrans conducted an assessment of the cost of transportation projects each agency would like to build over the next decade.

- The assessment found that it would cost $540 billion to build all of the identified projects, but that only about $240 billion in funding will be available from all local, state, and federal sources.

☑️ Initial Concerns With the Assessment’s Methodology

- The method used to calculate the costs of the identified projects appears to vary depending on the type of project and the region of the state. For example, the cost to design and oversee construction were not included in highway expansion projects, but were included in projects to repair highways.

- The assessment’s revenue estimates appear to understate the amount of funding likely to be available from the state and federal governments. For example, the assessment assumes that state transportation revenues will average $5.3 billion each year, however, the Governor’s budget estimates that the state will collect $7.2 billion in transportation revenues in 2013-14, and this amount is likely to increase over the next decade.