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Options for Addressing the State's Transportation Needs

LEGISLATIVE ANALYST'S OFFICE

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Senate Transportation and Infrastructure Development
Committee
Hon. Jim Beall, Chair





Increasing Funding for Transportation

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Increase Existing Taxes or Fees. The Legislature could increase one or more of the state’s existing taxes and fees on fuels or vehicles (such as the excise taxes on gasoline and diesel). The figure below shows the state’s major fuel and vehicle taxes and fees and their allowable uses, as well as identifies that amount of revenue that could be generated from potential increases.

Options to Increase Existing State Fuel and Vehicle Taxes and Fees		
Revenue Source	Allowable Uses	Potential Revenue
Gasoline excise tax	State highway and local road construction, maintenance, mitigation, and associated administrative costs. Transit fixed guideways.	\$150 million per one cent increase.
Diesel excise tax	State highway and local road construction, maintenance, mitigation, and associated administrative costs. Transit fixed guideways.	\$30 million per one cent increase.
Vehicle registration fee	State highway and local road construction, maintenance, mitigation, and associated administrative costs. Transit fixed guideways. State administration and enforcement of traffic laws.	\$33 million per one dollar increase.
Vehicle license fee	General use.	\$3 billion to \$3.5 billion per one percent increase.
Vehicle weight fees	State highway and local road construction, maintenance, mitigation, and associated administrative costs. Transit fixed guideways. State administration and enforcement of traffic laws.	Revenue increase depends on changes. For example, a doubling of all rates would generate about \$1 billion.



Increasing Funding for Transportation

(Continued)

- Charge New Taxes or Fees.** The Legislature could charge new taxes or fees to generate increased funding for transportation. For example, recent legislation requires a study of the feasibility of a “road user charge”—an amount charged to individuals for each mile they drive. We also note that the state previously charged a sales tax on gasoline. The state constitution requires that revenues from a sales tax on gasoline be allocated to specific transportation purposes.

- Use Other Existing State Revenues.** The Legislature could use existing revenues from other sources to fund transportation.
 - For example, the state General Fund could be a revenue source.
 - The Legislature could also allocate additional cap-and-trade auction revenues to meet its transportation needs in a manner that is consistent with requirements on the use of these funds.

- Repay Outstanding Transportation Loans.** There is currently about \$900 million in outstanding transportation loans from state accounts that fund highways and roads—meaning funds that were loaned from various transportation accounts to the General Fund. Repaying these loans sooner than planned would provide additional one-time funds for transportation.



Improve Efficiency and Effectiveness of Transportation

- Ensure Funds Allocated to Most Cost-Effective Projects.*** For example, the Legislature could increase funding for highway maintenance projects, which are more cost-effective and reduce the need for more expensive reconstruction projects. The Legislature could also require that funds be allocated to projects through a competitive process, as opposed to the current formulaic process for distributing funds.

- Require Project Level Accountability.*** In order to help ensure that projects are planned and delivered with reasonable costs, scopes, and schedules, the Legislature could require greater project level accountability. For example, the Legislature could require the California Transportation Commission to perform specific oversight and project approval functions for projects, such as for SHOPP projects which currently have limited external oversight.

- Improve Project Delivery.*** Finally, the Legislature could consider various steps to improve the delivery of projects. For example, the Legislature will want to ensure that Caltrans' capital outlay support (COS) program is operating efficiently, including the level of resources and the type of resources (such as state staff versus private consultants). The Legislature could also consider whether local agencies should take a greater role in the delivery of projects.