



July 10, 2018

TO: Members, Transportation Agency for Monterey County

FROM: Gus Khouri, Principal
Khoury Consulting

RE: STATE LEGISLATIVE UPDATE – JULY

2018-19 State Budget Signed

On June 27, Governor Brown signed SB 840 (Mitchell), Chapter 29, 2018, the Budget Act of 2018, which covers FY 2018-19. This bill authorizes General Fund expenditures of \$138.6 billion. A total reserve of \$15.9 billion is also provided by fully funding the Budget Stabilization Account to its constitutional limit per Proposition 2 (\$13.8 billion), and by setting aside money in the Special Fund for Economic Uncertainties and the newly created Net Reserve (\$2.1 billion). The Proposition 2 funds will predominantly be used to ensure that education is fully funded under Proposition 98, as well as retire outstanding loans and unfunded pension obligations. Since the Rainy Day Fund is at capacity, excess revenues that were deposited into the Special Fund for Economic Uncertainties and Net Reserve may be used to fund infrastructure projects.

As part of the 2018 Budget package, the Governor also signed AB 1831 (Committee on Budget), Chapter 43, Statutes of 2018, a budget trailer bill, which creates a structure for the expenditure of Proposition 2 revenues that are dedicated for infrastructure. The plan stipulates that until FY 2021-22, the first \$415 million of infrastructure funding would be deposited in the State Infrastructure Maintenance Fund for improvements to the State Capitol. Beyond that amount, half of the funding would be dedicated to the rail corridor improvements identified by the California State Transportation Agency (CalSTA) and the other half would be used for Multifamily Housing Programs.

Given the current \$2.1 Billion additional reserve, this could result in approximately \$850 million being made available for rail corridor improvements from which TAMC may be able to receive an award. We will work with CalSTA on potential opportunities for funding.

SB 1 Repeal Discussion

On June 18, the legislature held a Joint Hearing of the Senate Transportation & Housing, Assembly Transportation, and Assembly Revenue and Taxation Committees, to discuss what was then a pending November ballot measure to repeal SB 1.

The Legislative Analyst's Office provided a very brief overview of SB 1 before quickly moving to public comment. Most speakers read a list of projects that are in jeopardy if SB 1 were repealed. In my testimony of behalf of TAMC, I attempted to demonstrate that SB 1 does not place an onerous burden on taxpayers, because the gas tax increase amounts to only about 13 cents per day per motorist. Yet, the benefits the gas tax will bring are many – it will help to fill potholes, improve safety, ease congestion on state highways, maintain and expand public transportation and rail services, manage goods movement, and provide opportunities for bicycle and pedestrian programs.

It is key to remember that people drive across town just to save 10 cents a gallon. The 12 cents per gallon gas tax, unlike the Vehicle Registration Fee (VRF), is a regular reminder that they are paying a higher gas tax. With respect to the VRF, 85% of all cars registered will pay less than \$50 annually. That may sound like a lot, until you break it down to what the average motorist will actually pay. When you consider the fuel efficiency of the average vehicle, and the average miles driven per day, the average motorist will end up paying only about 13 cents per day. Adding the VRF, the average motorist will pay is 27 cents a day, \$8 per month.

The proponents of the repeal campaign, Reform California, also testified. Carl DeMaio, who is leading the cause, stated the following:

- We pay enough for rebuilding our roads. We had the second highest gas tax in the nation prior to the enactment of SB 1.
- We have diverted money to pay for pensions, went on "road diets" and favored mass transit and high-speed rail over road repairs.
- Senator Josh Newman being recalled reflects how fed up voters are and he expects others to lose their jobs in November for voting for SB 1.
- After the repeal effort is successful, they will have a plan to fund our roads.

The Reform California campaign submitted 963,905 signatures, and successfully acquired the 585,407 necessary to qualify what is now known as Proposition 6, a measure to repeal SB 1 and require that future tax items be made subject to voter approval, for the November ballot. The Secretary of State certified the signatures on June 28, 131 days before the November 6 election, as required by the Constitution.

The proponents are essentially advocating for the Republican transportation-funding plan, which would rely on items such as sales tax from car sales and insurance premiums, in addition to the pre-existing gas tax and VRF at levels before the enactment of SB 1. This would make the General Fund responsible for paying for transportation. Transportation is overwhelmingly funded by special funds, such as the gas tax and vehicle registration fees, because it loses out to other priorities funded by the General Fund such as education, public safety, or health and human resources.

Voters will need to make a choice this November as to whether paying 27 a day is worth maintaining the state's transportation infrastructure and mobility needs.

What Does SB 1 Cost Taxpayers?

Gas Tax

12,790,132,274* Total Gallons of Gasoline Consumed in 2017

32,029,200^ Registered Vehicles (cars, motorcycles, non-commercial trucks)

$12,790,132,274 / 32,029,200 = 399$ average gallons annually per vehicle

$399 \text{ gallons} \times .12 = \48 annually, \$4 monthly, 13 cents daily per vehicle

Transportation Improvement Fee Assessment

Vehicle Value Range	Annual Rate	Percentage of Registered Vehicles
\$0-\$4,999	\$25	46.34%
\$5,000 - \$24,999	\$50	40.96%
\$25,000 - \$34,999	\$100	7.04%
\$35,000 - \$59,999	\$150	4.64%
\$60,000 & Up	\$175	1.02%
Overall	\$50.89	100%

The TIF generates \$1.63 billion and there are 32,029,200 registered cars, motorcycles, and non-commercial trucks.

$1,630,000,000 / 32,029,200 = \50.89 annually, \$4.24, 14 cents daily

Conclusion

SB 1 costs \$98.55 annually. It's **13 cents per day** when factoring the **gas tax** per vehicle, and **27 cents per day** when factoring an average of \$50 annually in the transportation improvement fee (87.3% will pay \$50 or less).

*Gasoline consumption figure was derived from Board of Equalization and U.S Energy Information Administration.

^ 2017 DMV Statistics