DEPARTMENT OF PUBLIC WORKS

OFFICE OF THE DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 207
915 I STREET
SACRAMENTO, CA
95814-2673

916-449-5283

May 23, 1989

Budget and Finance/
Transportation and Community Development Committee

SUBJECT: **PRESENTATION REGARDING STATE GAS TAX LEGISLATION**

SUMMARY

Various bills have been introduced in the State Legislature in an attempt to respond to the transportation funding crisis. These measures include the two bills introduced by the Transportation Committee Chairs in the Senate and Assembly, SB300 (Kopp) and AB 471 (Katz). At the May 23, 1989 joint committee meeting, Ken Hough of the Sacramento Area Council of Governments (SACOG) will present a report regarding gas tax legislation and the prospects for securing approval of a transportation funding package this year. Attached for your review is a briefing paper prepared by SACOG outlining principles to be used in developing positions on transportation funding bills.

RECOMMENDATION

This report is presented for Committee information.

Respectfully submitted,

Robert L. Lee
Deputy Director of Public Works

Approved for Committee Information:

Solon Wisham, Jr.
Assistant City Manager

Approved:

Melvin H. Johnson
Director of Public Works

Contact Person: Robert Lee,
Deputy Director of Public Works 449-5283

May 23, 1989
ALL DISTRICTS

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
106 K Street, Suite 200, Sacramento, CA 95814

MEMORANDUM

MAY 5, 1989

TO: BOB LEE, CITY OF SACRAMENTO

FROM: KENNETH A. HOUGH, PLANNING MANAGER KH

SUBJECT: PRINCIPLES FOR CALIFORNIA TRANSPORTATION REVENUE LEGISLATION

BACKGROUND: This memorandum is in response to your request for information on gas tax legislation. Attached is a table summarizing four bills that have been introduced. Because the provisions of the various bills are changing rapidly, I have develped a set of principles which I intend to send to the SACOG Board of Directors for their approval at their May 18 meeting. I believe these principles would serve as a good starting point for any of our member jurisdictions toward developing positions on the current legislation.

DISCUSSION: The proposed principles are listed below, each followed by a brief description of the rationale on which the principle is based. Also presented is an analysis of the degree to which each principle is served by each of the two major bills currently moving through the legislature. These bills are SB 300 authored by Senator Quentin Kopp and AB 471 authored by Assembly Member Richard Katz.

Principle 1: New transportation revenues should be generated primarily by fuel tax increases.

Historically these sources have been the backbone of California's transportation funding. These are user-based fees and taxes and, as such, the amount paid is roughly commensurate with the benefit received. SACOG's 1987 Regional Transportation Plan indicates support for a statewide fuel tax increase.

SB 300 and AB 471 both rely on fuel taxes and weight fees for raising additional state transportation funds.

Principle 2: New transportation revenues should provide the state match needed to deliver the basic 1988 State Transportation Improvement Program--an amount estimated to be slightly over $3.5 billion.

The five-year State TIP has long been viewed as a firm commitment to the projects it contains. The top priority for new revenue should be to make good on that commitment.

SB 300 and AB 471 both would fund the 1988 State TIP.

Principle 3: Additional state funding should be made available on an equitable basis to resolve deficiencies on the state highway system.

SACOG's transportation and financing needs report, prepared earlier this year at the request of the Senate Transportation Committee, identified over $500 million worth of state highway improvements needed over the next ten years. This is in addition to what is already in the State TIP. Regarding equity, current statutes require the California Transportation Commission (CTC) to program 70 percent of most state highway funds according to a fair share--or "county minimum"--formula. In spite of this, the SACOG region has not received its fair share in recent years. Accordingly, it is essential that any program for expending new revenues increase, rather than decrease, the region's ability to receive its fair share of state highway improvements.

SB 300 would provide between $7 and $8 billion for state highway improvements beyond the 1988 State TIP; AB 471 would provide just over $4 billion. Under SB 300, the SACOG region would be entitled to between $250 and $300 million for state highways. SACOG would be responsible to select the projects and local agencies would have to provide matching funds (80% state/20% local for counties under 200,000 in population; 50/50 for those over). While the SACOG portion of these monies would be determined strictly on a fair share basis, the large local match requirement could make it difficult to actually receive and spend our fair share apportionment.

Under AB 471, the SACOG region would receive only $45.8 million worth of state highway projects, <u>at least $200 million less than with SB 300</u> (no local match required). This is because AB 471 proposes to fund specific projects taken from three lists of projects developed by the CTC. These include the Standby List for the 1988 State TIP ($1.04 billion with a reasonable $45.8 million share for SACOG), the Long Lead Time List ($933 million with nothing for SACOG), and a list of projects for which only partial funding is included in the 1988 State TIP ($2.09 billion with nothing for SACOG.

Principle 4: Additional state funding should be made available on a equitable basis to supplement existing fuel tax subventions to cities and counties.

SACOG's report to the Senate Transportation Committee shows a $591 million shortfall for local street and road needs over the next ten years; over half of this is just to maintain the existing system.

SB 300 would allocate 1 1/2 cents of its 10 cent fuel tax increase to cities and the same to counties. The county formula is yet to be determined; the city formula is simply in proportion to population. AB 471 does not yet specify the proportion of the fuel tax increase that would be subvented to cities and counties, but any additional subventions would be allocated between cities and counties using the existing fuel tax subvention formulas.

Regarding equity, there appears to be no reason why any city or county would not get its fair share under SB 300, except that any general funds currently used for transportation must continue to be so allocated in order to receive additional fuel tax subventions. Under AB 471 it is highly unlikely that jurisdictions in the urbanized portion of the SACOG region would receive any additional fuel tax subventions. This is because the bill requires cities or counties in urbanized areas, prior to receiving an allocation, to adopt "a local trip reduction ordinance which reduces trips within the jurisdiction by at least 5 percent annually for a period of five years." In addition, the bill would make each year's allocation contingent on a SACOG determination that within the city or county, substantial progress has been made in reducing the number of vehicle miles traveled. Based on population projections produced by the State Department of Finance, SACOG is projecting an annual growth rate in trips and in vehicle miles traveled in excess of three percent in the urbanized areas. Even if individual travel behavior does change dramatically, the growth in population and employment will undoubtedly preclude our meeting the mandates of AB 471.

Principle 5: New transportation revenues should provide funding for mass transit guideways in and between urbanized areas.

SACOG's report to the Senate Transportation Committee indicated a need for $375 million in state or federal guideway funds.

SB 300 would provide a $5 billion guideway program, with $280 million targeted for Sacramento County for three rail extensions (Meadowview, Hazel, and Roseville). AB 471 would provide a $3.75 billion guideway program, with no specific targets for regions, but eligibility for four rail extensions (Meadowview, Hazel, Placer County Line, and north to Arena). Neither bill provides funding for commuter or intercity rail services between this region and the Bay Area.

Principle 6: New transportation revenues should provide a stable funding source for the Transportation Planning and Development (TP&D) Account.

Under current statutes, 40 percent of the TP&D Account is used to fund the Transit Capital Improvement program, Caltrans planning and mass transportation activities, and other programs, and 60 percent is for the State Transit Assistance (STA) program. In recent years the STA portion of this account has been diverted to other programs. STA--when it has been available--has been used to subsidize transit operations. Transit needs more assistance than just capital monies to extend rail systems. If transit is to help solve our air quality problems, its operations need to be expanded.

SB 300 is designed to eliminate the loopholes that have allowed STA funds to be diverted. Senate Transportation Committee staff estimate that at least $150 million per year would be available to the TP&D Account. The formula used to allocate STA would change (more emphasis on transit operator revenues and less on population) to the detriment of the SACOG region, but more money would be available, nevertheless. AB 471 would establish a new transit program funded by the additional sales tax on gas resulting from the cents-per-gallon gas tax increase. No revenue estimate is available, but the apportionment formula is based totally on operator revenues, to the detriment of the SACOG region.

Principle 7: A new transportation program for California should enhance the ability of the cities, counties, and regions to program the most cost-effective projects with less regard to categorical constraints.

Added flexibility will encourage the most effective investments rather than the investments for which categorical funding is available.

SB 300 would add flexibility. For state highways, SACOG in concert with its member cities and counties would be able to select its own projects. Furthermore, if SACOG and Caltrans agree that increasing the capacity of a state highway is not a cost-effective alternative for reducing congestion, an alternative project could be selected and would be equally eligible for funding. SB 300 would also add programs that promote ridesharing to the TP&D Account eligibility list.

AB 471, on the other hand, would greatly reduce local and regional flexibility. The state highway program would be completely set for the next ten years--not only would this region not get a fair share return, but we would be unable to determine how to spend the limited monies that would be available.

SUMMARY OF TRANSPORTATION LEGISLATION

	SB 300 - Kopp	AB 471 - Katz	AB 2050 - Areias	ACA 44 - Ferguson
Revenue Source	10¢ fuel tax increase 60% weight fee increase	5¢ fuel tax indexed every two years 30% weight fee indexed every 2 yrs.	6¢ fuel tax indexed annually 20% weight fee + 30% in 1995	5¢ fuel tax + 1¢ per yr. for 5 yrs. 30% weight fee increase
New State Highway $ for SACOG region	$250 million or more local match of 20% or or 50%	$46 million no local match	$46 million no local match	no estimate available
New Local Street & Road $	1 1/2¢ to cities 1 1/2¢ to counties $4.5 billion	apportionment not yet specified $5.0 billion	47% of new fuel tax fuel tax is for cities & counties, but local match is 30¢ per $1.00 recvd.	1¢ total for cities and counties
Guideway Program	$5 billion $280 million for Sacramento County	$3.75 billion no apportionments specified	$2 billion bond act no apportionments specified	no changes made
T P & D Account	likely $150 M/yr. ~~SACOG = ?~~ Statewide	some changes, effect unclear	no changes made	no changes made
Status	Senate Floor	Assembly Floor	Assembly Transpor. Committee	Assembly Transpor. Committee

0559o
5/5/89