



# CITY OF SACRAMENTO

CITY MANAGER'S OFFICE  
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SEP 24 1981

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**APPROVED**  
BY THE CITY COUNCIL

September 24, 1981

City Council  
Sacramento, California

SEP 29 1981 *Cont 40*  
*10-13-81*

Honorable Members in Session: OFFICE OF THE CITY CLERK

**SUBJECT:** Support of Senate Bill 215 - A Two Cents Increase on Gasoline and Diesel Fuel Taxes

SUMMARY:

This report recommends that the City Council approve supporting S.B. 215 and forward indication of its support to the Sacramento County Board of Supervisors. This item was submitted to the Budget and Finance Committee on September 29, 1981.

BACKGROUND:

S.B. 215 was recently passed by the legislature and signed into law by the Governor (see attached analysis of S.B. 215 prepared by the Legislative Analyst). This bill increases the tax on gasoline and diesel fuel from 7 cents a gallon to 9 cents a gallon effective January 1, 1983. It also requires that the increase in the fuel taxes take effect only if County Boards of Supervisors, representing two-thirds of the State's population, adopt a resolution by November 15, 1981 declaring that the revenues provided by the bill are needed to maintain and construct State and local highways. The staff of the County of Sacramento has indicated that they are preparing such a resolution for approval by the Board of Supervisors and has also indicated that they desire support of the City of Sacramento, as the City makes up a substantial part of the population of Sacramento County.

FINANCIAL:

There has been no written analysis of the bill by the League of Cities, but telephone communications from their office indicates that the City of Sacramento would receive approximately \$4.00 per capita in 1982/83 and \$6.00 per capita in 1983/84 and thereafter as additional gas tax funds.

RECOMMENDATION:

It is recommended that the City Council indicate its support to the Board of Supervisors and urge them to pass the required resolution.

Recommendation Approved:

*Solon Wiseman, Jr.*  
For: Walter J. Slipes, City Manager

Respectfully submitted,  
*R. H. Parker*  
R. H. PARKER  
City Engineer

September 29, 1981  
All Districts

Legislative Analyst  
August 18, 1981

ANALYSIS OF SENATE BILL NO. 215 (Foran)  
As Amended in Assembly June 30, 1981 and  
As Further Amended by LCR No. 017472  
1981-82 Session

Fiscal Effect:

- Cost:
1. Increased cost of \$125,000 in 1982-83 and \$227,000 to \$677,000 annually thereafter for Board of Equalization tax collection activities.
  2. Undetermined but probably moderate increase in cost to the Motor Vehicle Account, State Transportation Fund every four years for a report by Secretary of Business, Transportation and Housing Agency on Motor Vehicle Account revenues.
- Revenue:
1. Reduction of \$177 million to the General Fund between 1982-83 and 1985-86, depending on the increase in sales of gasoline and other goods.
  2. Increase of \$836 million to the Motor Vehicle Account in the State Transportation Fund between 1981-82 and 1985-86.
  3. Increase of \$1.3 billion to the State Highway Account in the State Transportation Fund between 1982-83 and 1985-86.
  4. Potential but undetermined increase in state motor vehicle fuel taxes if federal fuel taxes are reduced.

SB 215 (Am. 6/30/81 & LCR# 017472)

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5. Increase of \$707 million for local transportation programs between 1982-83 and 1985-86.
6. Potential but undetermined increase in revenue up to \$100 million annually for each 1 cent tax increase to specified local transportation programs, beginning in 1982.
7. Potential, but undetermined increase in revenue to counties if California Transportation Commission allocates State Highway Account funds to counties for highway construction.

Analysis:

This bill, an urgency measure, increases various taxes and fees imposed on motor vehicle fuel and motor vehicle users and reallocates the revenue among various transportation programs. The bill also reallocates revenue from the General Fund to state and local transportation funds.

Specifically, the bill:

1. Increases on January 1, 1983, the tax on motor vehicle fuel from the current 7 cents per gallon to 9 cents per gallon under specified circumstances. Effective July 1, 1983, local governments would receive the revenue derived from 1 cent of the tax increase, with the State Highway Account in the State Transportation Fund receiving the balance of the new revenue.

2. Increases on January 1, 1983, the tax on diesel fuel from the current 7 cents per gallon to 9 cents per gallon under specified circumstances. All of the diesel tax revenue is deposited in the State Highway Account. However, this bill provides that, effective July 1, 1983, these revenues shall be allocated 4.61 cents per gallon to the State Highway Account and 4.39 cents per gallon to local governments.

3. Requires that increases in the fuel taxes take effect only if county boards of supervisors representing two-thirds of the state's population adopt resolutions by November 15, 1981 declaring that the revenues provided by the bill are needed to maintain and construct state and local highways. The bill provides that if the Los Angeles County board does not adopt such a resolution, the city councils in that county could adopt the resolution and the population of such cities would apply towards meeting the two-thirds population requirement. If sufficient resolutions are not adopted, the increase in apportionments of fuel tax revenues to local governments still would occur, resulting in a net decrease in state highway revenues.

4. Increases the tax on motor vehicle and diesel fuel for persons or entities subject to the federal fuel tax by an amount equal to any decrease in the federal fuel tax rate, such that the combined state and federal tax rate equals 11 cents per gallon, or 13 cents if the state motor vehicle and diesel fuel tax rates are increased.

5. Imposes on January 1, 1983, on specified persons, a one-time 2 cents per gallon tax for storing motor vehicle fuel (i.e. a "floor tax").

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6. Authorizes any county to increase the motor vehicle fuel tax rate in 1 cent per gallon increments upon approval of the board of supervisors, specified city councils and voters. (This authority would not be dependent upon state-wide approval by county boards of supervisors.) If all counties adopted a 1 cent per gallon increase, approximately \$100 million would be generated annually. Revenues derived from this source would have to be expended for highways and mass transit guideway construction.

7. Allocates \$100 million in motor vehicle fuel tax revenues from the State Highway Account to cities and counties in 1982-83. This results in a net loss of \$27 million to the State Highway Account in that year. The remainder of the transfer (i.e. \$73 million) would be financed from the increased revenue due to the tax rate increase.

Motor Vehicle and Driver Fees

8. Increases vehicle registration fees from the current \$11 per year to \$22 in 1982.

9. Increases drivers license fees from the current \$3.25 every four years to \$10 in 1982.

10. Increases duplicate driver's license fees from the current \$1.25 to \$8 in 1982, \$10 in 1983 and \$12 in 1984.

11. Increases identification card fees from the current \$3.25 to \$6.

12. Increases truck weight fees by approximately 50 percent of current rates in 1982, and 60 percent of current rates in 1985. In addition, effective July 1, 1982, all truck weight fee revenues, net of collection costs, would be deposited into the State Highway Account, rather than the Motor Vehicle Account in the State Trans-

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portation Fund, as provided in current law. Accordingly, in 1982-83, the Motor Vehicle Account would lose the \$151 million it would have received under existing law, while the State Highway Account would receive the \$151 million from the Motor Vehicle Account, plus \$83 million from the fee increases.

13. Increases other various fees and permits.

Gasoline Sales Taxes

In addition, existing law requires the Board of Equalization quarterly to transfer monies (based on a formula) from the Retail Sales and Use Tax Fund to the Transportation Planning and Development (TP and D) Account in the State Transportation Fund. This formula compares the additional sales and use tax revenues resulting from levying the sales tax at the 4 3/4 percent rate on all goods including gasoline, rather than a 5 percent rate on all goods subject to the sales tax, excluding gasoline. Any excess revenue generated by the lower tax rate on the larger tax base is referred to as the "spillover". The amount of the spillover transferred to the TP and D Account is subject to a specified limit. Any spillover funds in excess of the limit are transferred to the General Fund.

This bill requires that \$127 million of any spillover revenue in excess of the limit be transferred to the General Fund in 1981-82, with that transfer gradually being eliminated by 1986-87. Table 1 indicates what the spillover transfer to the General Fund would be under existing law and SB 215. Any spillover revenue in excess of the amount transferred to the TP and D Account and the General Fund would be evenly distributed between the State Highway Account and the TP and D Account. Funds from the latter transfer to the TP and D Account would be subject to appropriation by the Legislature for allocation on a per capita basis to designated planning agencies and commissions for public transit and street and highway purposes.

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Table 1

Transfer of Spillover Revenues  
Into the General Fund  
(in millions)

	Current Law	SB 215	Difference
1981-82	\$127	\$127	0
1982-83	138	141	\$ 3
1983-84	138	106	-32
1984-85	126	71	-55
1985-86	118	35	-83

Transportation Expenditures

Currently, the distribution of 70 percent of State Highway Account capital outlay expenditures is based on relative highway and mass transit guideway needs in each transportation district, as determined under existing law. Under this bill, expenditures would be distributed among counties under a formula which is based 75 percent on the relative population of the county and 25 percent on the relative number of state highway miles in the county. This provision probably would result in a reallocation of state highway expenditures.

The California Transportation Commission (CTC) would study alternative geographic distributions of account expenditures and would submit its finding and recommendations to the Legislature by January 31, 1982.

The bill increases the allocation of State Highway Account funds for various specified highway activities, such as snow removal. The bill also requires the CTC to program and allocate funds included in the 1980 State Transportation Improvement Program (STIP).

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The commission would increase the allocation of funds to a specific project to reflect the effects of inflation, but would not finance the additional costs resulting from changes in the project design. Expenditures of remaining fund revenues would be subject to specified priorities imposed on the bill. Under the priorities, funds would be spent in the following order:

1. Maintenance and rehabilitation of the existing system.
2. Safety improvements.
3. Operational improvements of the existing system.
4. New construction to (a) complete projects in the 1972 Highway Program under specified circumstances, and (b) build projects not included in the 1972 program or the 1980 STIP.
5. Landscaping, litter control and other purposes.

These priorities would not preclude account funding of mass transit guideways in counties where such uses are permitted under current law.

The bill prohibits regional transportation improvement programs from including maintenance, rehabilitation and reconstruction projects.

The bill requires the department to expedite project development and expenditures and to minimize the State Highway Account balance. Prior to adopting the STIP, the commission would review the department's project delivery performance. If, after a public hearing, the commission determines that the department has not made reasonable progress, the commission could allocate State Highway Account funds to counties for expenditure for project development, right-of-way acquisition and construction of projects included in the STIP.

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The bill also requires the CTC to recommend adjustments in motor vehicle fuel tax rates and truck weight fees to fund maintenance, rehabilitation and improvements to the existing highway system. The recommendations would be included in their annual evaluation of the Department of Transportation budget.

The bill requires the Secretary of the Business, Transportation and Housing Agency to submit by January 10, 1985, and every four years thereafter, a report on the fees imposed under the Vehicle Code, including recommendations on fee changes required to finance Motor Vehicle Account expenditures.

Finally, the bill provides that the Supreme Court could try a case concerning this bill before a court of appeals decision is made. The bill further states legislative intent that if the case is transferred to the court, it should receive preference over other civil actions and the court should begin to hear the case within six months of the transfer.

Fiscal Effect

Table 2 shows our estimate of the revenue effect of this bill between 1981-82 and 1985-86. We estimate that:

- Revenue which would be transferred to the General Fund under current law would decline by \$177 million. The Department of Finance significantly reduced its previous estimate of the revenue loss because the department is now assuming a lower increase in gasoline sales relative to other sales than it previously assumed.

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- The Motor Vehicle Account would receive \$836 million in additional revenues.

- State Highway Account revenue would increase by \$1.3 billion. State motor vehicle fuel tax revenues also would increase by an unknown additional amount if the federal tax on motor vehicle fuel is reduced. To the extent that revenues exceed expenditures in the Motor Vehicle account, the excess could be transferred to the State Highway Account under current law.

- Revenues available for local public transit, streets and highways purposes would increase by \$707 million if the Legislature appropriates all available revenues. Local revenues would increase further by an undetermined amount if counties impose local motor vehicle fuel taxes or if the CTC allocates State Highway Account funds to counties to contract for highway construction activities. The additional funds to local governments are intended to supplement transportation revenues currently provided by local governments.

The Board of Equalization estimates that its administrative costs for tax collection would increase by \$125,000 in 1982-83 and between \$227,000 and \$677,000 per year thereafter, depending on whether local motor vehicle fuel taxes are imposed. The Department of Motor Vehicles states that it would not incur additional costs to file monthly reports on truck weight fee revenues. Finally, the Secretary of the Business, Transportation and Housing Agency would spend an undetermined but probably moderate amount from the Motor Vehicle Account every four years beginning in 1984-85 to prepare the Motor Vehicle Account revenue report.

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Table 2  
Fiscal Impact of SB 215<sup>a</sup>  
(in millions)

	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>	<u>Five-Year Total</u>
General Fund <sup>a</sup>	-0-	\$ -7	\$ -32	\$ -55	\$ -83	\$ -177
<b>Motor Vehicle Account</b>						
Registration Fees	\$109	\$ 228	\$ 238	\$ 249	\$ 260	\$ 1,084
Weight Fees	40	-151	-157	-164	-172	-604
Drivers License Fees	19	40	42	44	46	192
ID Cards	1	3	3	3	3	14
Other Fees	<u>16</u>	<u>32</u>	<u>33</u>	<u>34</u>	<u>35</u>	<u>\$ 150</u>
Account Totals	\$185	\$ 152	\$ 159	\$ 166	\$ 172	\$ 836
<b>State Highway Account</b>						
Motor Vehicle Fuel	-0-	\$ -27 <sup>b</sup>	\$ 104	\$ 104	\$ 104	\$ 286
Diesel Fuel	-0-	9	-34	-38	-41	-104
Weight Fees	-0-	234	245	265	286	1,030
Sales Tax	<u>-0-</u>	<u>4</u>	<u>16</u>	<u>28</u>	<u>42</u>	<u>89</u>
Account Totals	-0-	\$ 220	\$ 331	\$ 359	\$ 391	\$ 1,300
<b>Local Transportation Programs</b>						
Motor Vehicle Fuel	-0-	\$ 100 <sup>b</sup>	\$ 104	\$ 104	\$ 104	\$ 413
Diesel Fuel	-0-	-0-	63	68	75	206
Sales Tax <sup>c</sup>	<u>-0-</u>	<u>4</u>	<u>16</u>	<u>28</u>	<u>42</u>	<u>89</u>
Local Totals	-0-	\$ 110	\$ 183	\$ 200	\$ 221	\$ 707
Total Revenue Increase	<u>\$185</u>	<u>\$ 468</u>	<u>\$ 641</u>	<u>\$ 669</u>	<u>\$ 700</u>	<u>\$ 2,666</u>

a. Totals may not add due to rounding.

b. Reflects one-time \$100 million allocation to cities and counties.

c. Subvented to regional transportation planning agencies by legislative appropriation from the Transportation Planning and Development Account.