

Overview of Transportation Funding

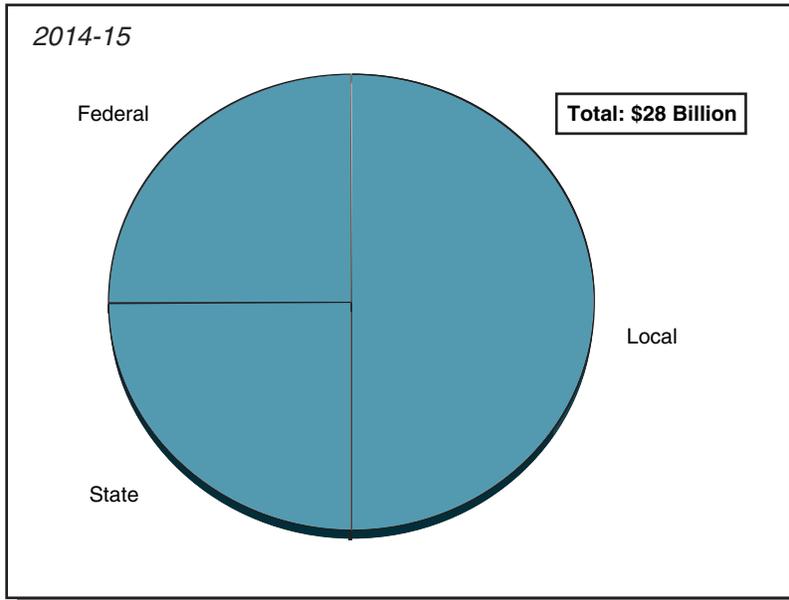
LEGISLATIVE ANALYST'S OFFICE

Presented to:
Senate Budget Subcommittee No. 2 on Resources,
Environmental Protection, Energy and Transportation
Hon. Jim Beall, Chair





Estimated Total Transportation Funding in California

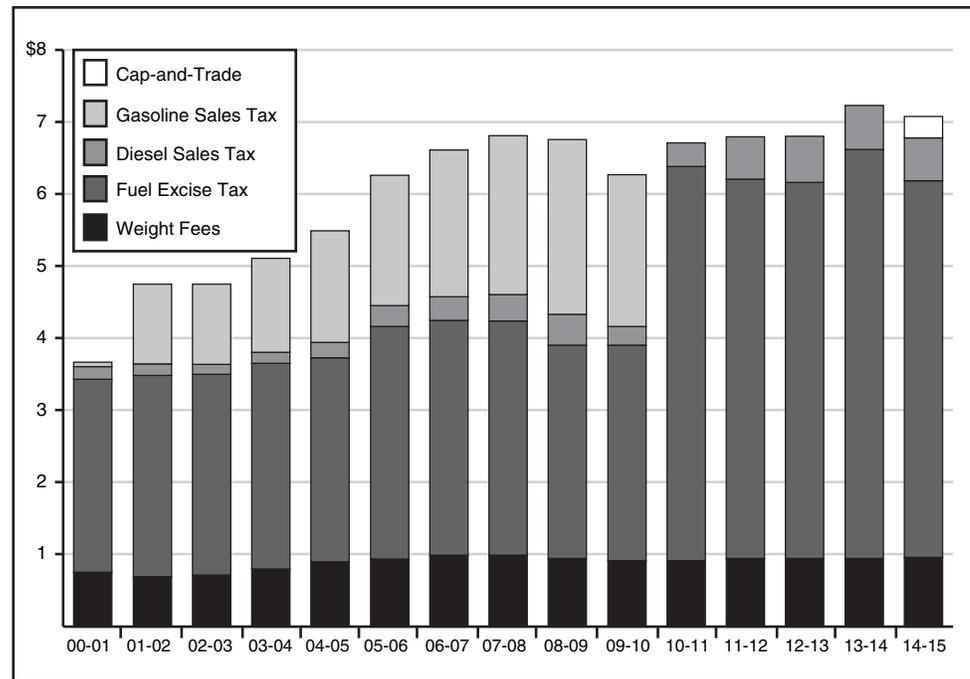


- In 2014-15, we estimate approximately \$28 billion in transportation revenues will be provided from all levels of government.
- Local governments provide half of all transportation funding in California. Local transportation funding sources are varied and include local sales taxes, transit fares, development 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.
- In addition to the funds identified above, the state also receives revenue from other sources (primarily vehicle registration fees) to support the California Highway Patrol (CHP) and the Department of Motor Vehicles (DMV).



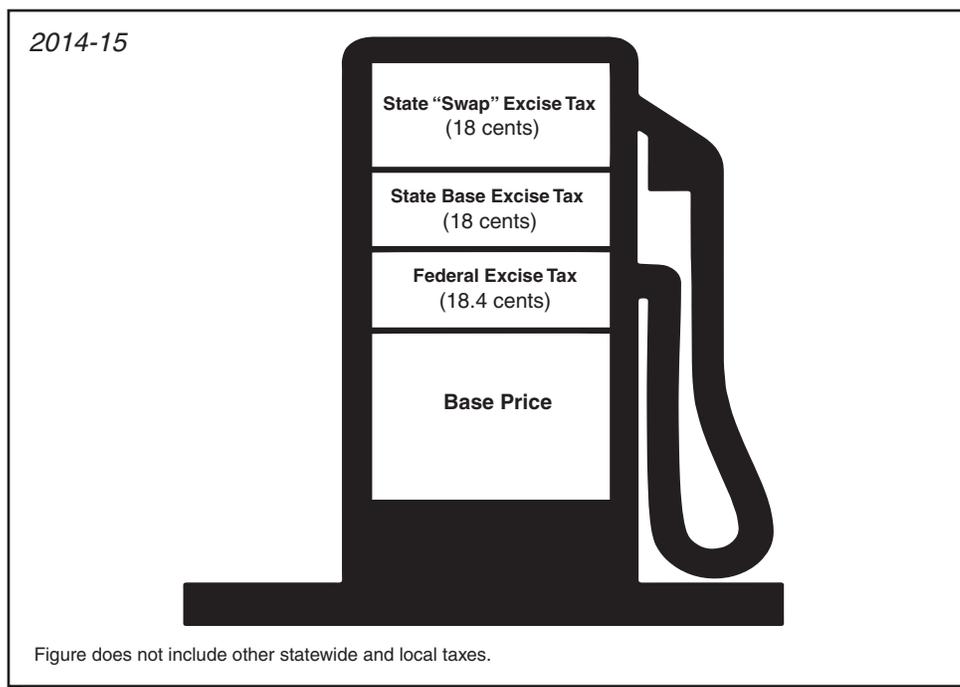
State Transportation Revenues Have Increased

(Dollars in Billions)



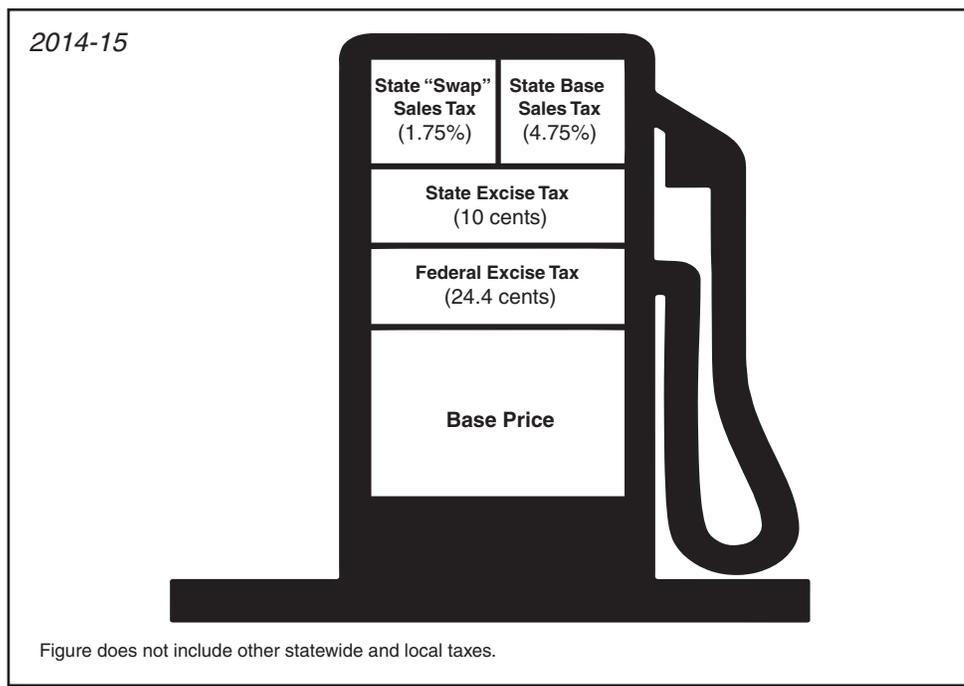
- State transportation revenues have roughly doubled over the past 15 years—from \$3.7 billion in 2000-01 to an estimated \$7.1 billion in 2014-15.
- This revenue currently comes from three main sources: (1) excise taxes on gasoline, (2) vehicle weight fees, and (3) sales and excise taxes on diesel fuel.
- In addition, the Governor’s budget proposes to spend a portion of cap-and-trade auction revenues on transportation in 2014-15.

Gasoline Excise Taxes: Revenues and Uses



- **State Base Excise Tax.** The state collects a base excise tax of 18 cents per gallon of gasoline. In 2014-15, this tax is estimated to generate about \$2.4 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 (Caltrans) 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 2014-15, this tax will be set at 18 cents per gallon and is estimated to generate about \$2.4 billion. The first \$958 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 Base Sales Tax.** The state collects a base sales tax of 4.75 percent on diesel fuel. In 2014-15, this is estimated to generate about \$430 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.
- **State Swap Sales Tax.** The state also collects a 1.75 percent sales tax on diesel fuel that was established in the “fuel tax swap”—legislation that changed the way the state taxes fuels. All of the revenue from this tax, about \$160 million, is allocated to the STA.
- **State Excise Tax.** In addition, the state collects an excise tax of 10 cents per gallon on diesel fuel. For 2014-15, this tax is estimated to generate \$330 million.



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 2014-15.



Debt Service for Transportation Bonds

- Vehicle weight fees are used to offset a portion of the debt-service costs on transportation bonds rather than fully paying these costs from the General Fund. For 2014-15, the Governor's budget uses all \$958 million in weight fees to pay debt service on transportation bonds.
- In addition, the state uses certain miscellaneous revenues totaling about \$60 million to offset transportation debt-service costs. The Governor's budget also proposes to allocate \$105 million from the General Fund to pay transportation debt service in 2014-15.



Proposed Use of Cap-and-Trade Auction Revenues



High-Speed Rail

- The Governor's budget proposes \$250 million in cap-and-trade auction revenue (Greenhouse Gas Reduction Fund [GGRF]) to support the development of high-speed rail in 2014-15.
- In addition, the Governor is proposing that, beginning in 2015-16, 33 percent of all cap-and-trade auction revenue be continuously appropriated for high-speed rail.
- The Governor is also proposing that when the remaining balance of \$400 million from a loan made from the GGRF to the General Fund in 2013-14 is repaid, the funds be directed to the high-speed rail project.



Caltrans—Intercity Rail Grants

- The Governor's budget proposes \$50 million from the GGRF in 2014-15 and 2015-16 for Caltrans to implement a new rail modernization grant program.
- According to the administration, grant funds would support projects intended to enhance mass transit operations in the state, with the intent of increasing transit ridership and reducing vehicle miles traveled in cars.



Motor Vehicle Account (MVA)

- ***MVA Funds Come Largely From Vehicle Registration Fees.*** The MVA derives most of its revenues from vehicle registration fees, which consist of (1) a base vehicle registration fee of \$46 per vehicle, (2) a CHP fee of \$23 per vehicle, and (3) late payment penalties that vary from \$60 to \$200 depending on the lateness of the payment. In 2013-14, these fees accounted for 88 percent of the estimated \$3 billion in MVA revenues. Other sources of MVA revenues include driver license and identification card fees, and a variety of other miscellaneous fees for special permits and certificates.
- ***CHP Receives Most of These Funds.*** The MVA revenues mainly support the activities of the CHP (61 percent), DMV (32 percent), and the Air Resources Board (4 percent).
- ***Loan Repayments to MVA Beginning in 2015-16.*** Since 2010-11, \$480 million in loans of MVA funds have been made to the General Fund to provide relief. The administration plans to repay \$300 million of the loans to the MVA in 2015-16.



Proposed Expenditure of Transportation Funds

Transportation Budget Summary—Selected Funding Sources					
<i>(Dollars in Millions)</i>					
	Actual 2012-13	Estimated 2013-14	Proposed 2014-15	Change From 2013-14	
				Amount	Percent
Department of Transportation					
General Fund	\$83.4	\$81.4	\$83.0	\$1.7	2.0%
Special funds	3,273.0	3,841.2	3,577.2	-264.0	-6.9
Bond funds	3,281.6	2,333.0	822.8	-1,510.2	-64.7
Federal funds	3,593.0	4,892.8	4,781.2	-111.6	-2.3
Local funds	1,470.9	1,582.2	1,594.2	12.0	0.8
Totals	\$11,702.0	\$12,730.5	\$10,858.3	-\$1,872.2	-14.7%
High-Speed Rail Authority					
Bond funds	\$45.0	\$48.3	\$29.3	-\$19.0	-39.3%
Federal funds	185.8	571.3	1,110.7	539.4	94.4
Greenhouse Gas Reduction Fund	—	—	250.0	250.0	—
Totals	\$230.8	\$619.7	\$1,390.0	\$770.4	124.3%
California Highway Patrol					
Motor Vehicle Account	\$1,703.5	\$1,845.0	\$1,852.8	\$7.8	0.4%
Other special funds	157.5	165.8	170.7	4.9	2.9
Federal funds	17.4	18.9	19.0	0.1	0.7
Totals	\$1,878.4	\$2,029.7	\$2,042.6	\$12.8	0.6%
Department of Motor Vehicles					
Motor Vehicle Account	\$831.2	\$978.4	\$1,027.5	\$49.1	5.0%
Other special funds	83.4	46.4	45.8	-0.6	-1.3
Federal funds	0.7	5.1	4.1	-1.1	-20.8
Totals	\$915.4	\$1,029.9	\$1,077.3	\$47.4	4.6%
State Transit Assistance					
Public Transportation Account	\$417.5	\$389.8	\$373.1	-\$16.7	-4.3%
Bond funds	752.9	299.0	823.9	525.0	175.6
Totals	\$1,170.4	\$688.7	\$1,197.0	\$508.3	73.8%