

February 23, 2015

Overview of Transportation Funding

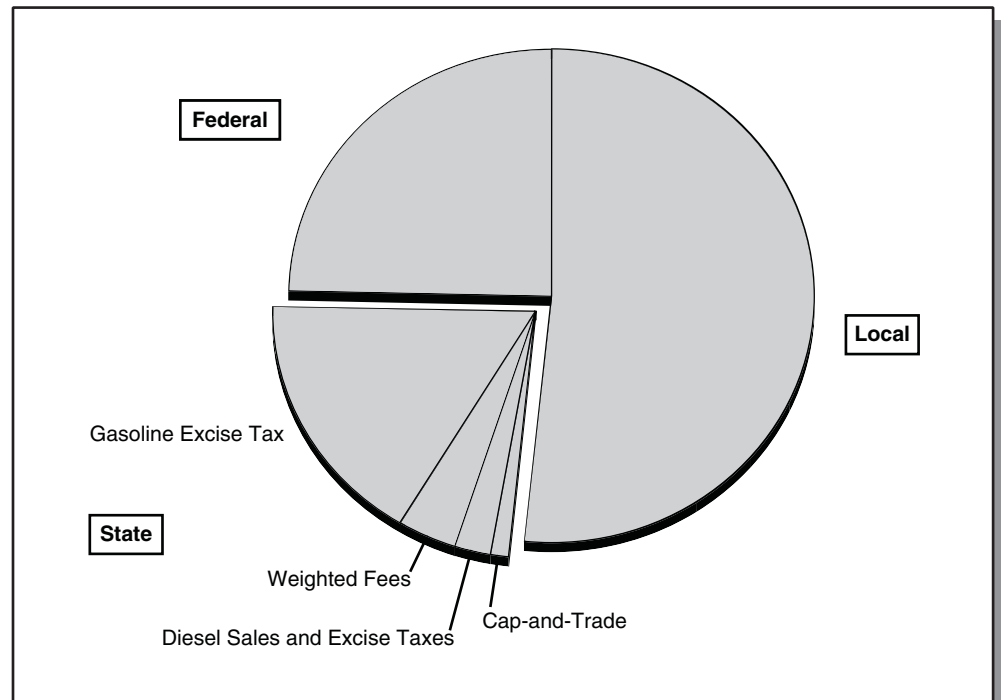
LEGISLATIVE ANALYST'S OFFICE

Presented to:
Assembly Transportation Committee
Hon. Jim Frazier, Chair





Estimated Total Transportation Funding In California in 2015-16



- In 2015-16, we estimate that \$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 include local sales taxes, transit fares, development impact fees, and property taxes.
- About one-fourth of the state’s transportation funding comes from the federal government, mainly through the surface transportation program, “Moving Ahead for Progress in the 21st Century” program or MAP-21. This funding is primarily supported by federal excise taxes on diesel and gasoline.
- The remaining one-fourth of transportation funding comes from a variety of state revenue sources—primarily excise taxes on gasoline.



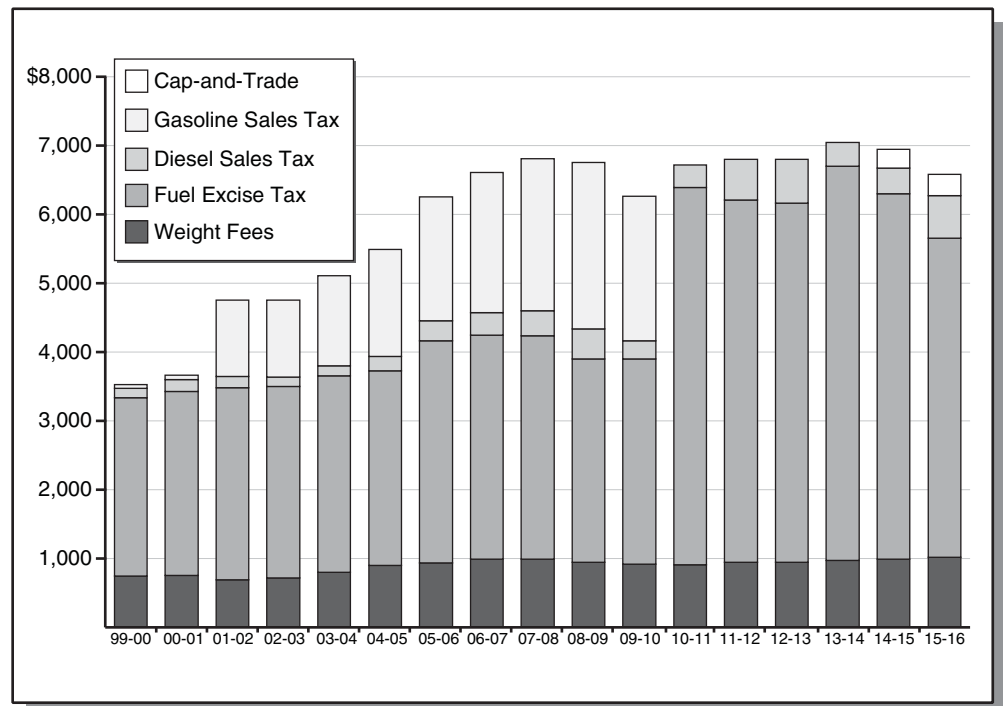
Estimated Total Transportation Funding In California in 2015-16 *(Continued)*

- We estimate that more than 60 percent of the \$28 billion in total transportation revenues will be used to support local transit systems and rehabilitate and maintain local streets and roads. About one-third will support the state highway system, with the remainder supporting various programs, including the state's the high-speed rail project.
- 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 and the Department of Motor Vehicles.



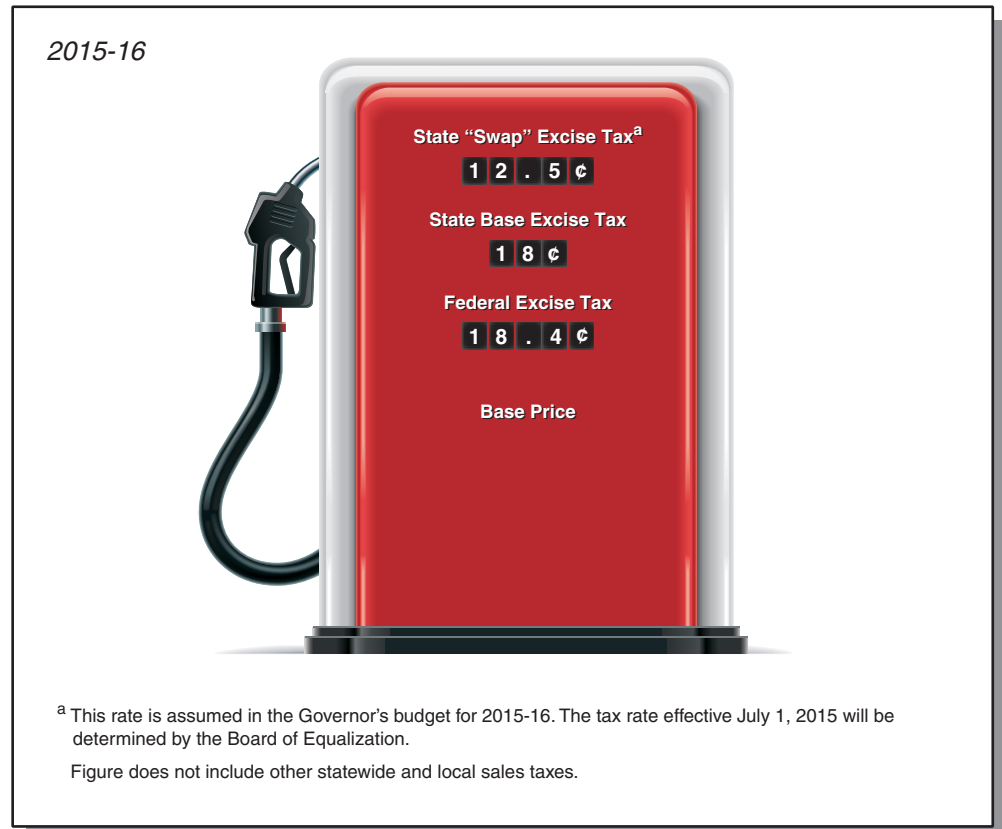
State Transportation Revenues Have Increased

(In Billions)



- State transportation revenues have increased from \$3.5 billion in 1999-00 to an estimated \$6.6 billion in 2015-16.
- 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.
- As shown in the above figure, a portion of cap-and-trade auction revenues began to support transportation in 2014-15, specifically for high-speed rail, low carbon transit and intercity rail, and sustainable communities. Under current law, 25 percent of cap-and-trade revenues will be continuously appropriated for high-speed rail in 2015-16 and beyond.

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 2015-16, this tax is estimated to generate about \$2.9 billion. Two-thirds of this 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 administration, maintenance, and the State Highway Operations and Protection Program (SHOPP).

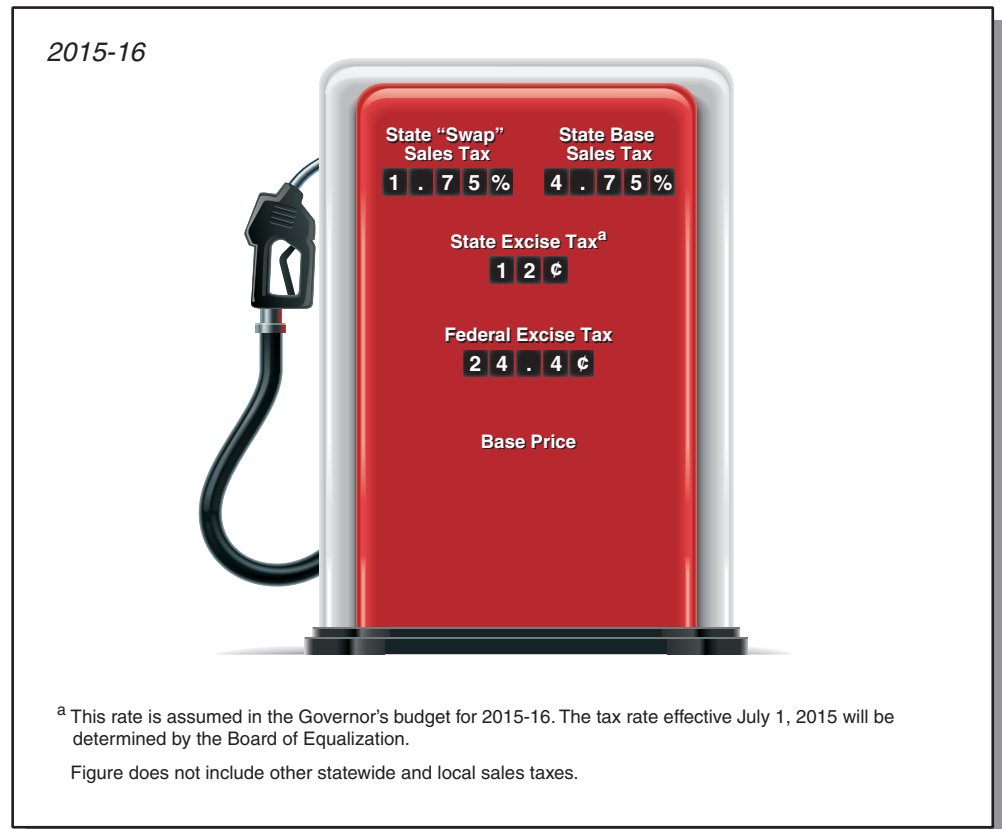


Gasoline Excise Taxes: Revenues and Uses

(Continued)

- ***State Swap Excise Tax.*** The state also collects a variable excise tax on gasoline, the rate for which is set annually by the Board of Equalization (BOE). The Governor's budget estimates that this rate will be 12.5 cents per gallon in 2015-16. The actual rate will be determined by BOE. This tax is estimated to generate about \$1.8 billion in revenue in 2015-16. The first \$1 billion of this is deposited in 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 2015-16 this is estimated to generate about \$460 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, estimated to be about \$160 million in 2015-16, is allocated to the STA.



Diesel Taxes: Revenues and Uses

(Continued)

- **State Excise Tax.** The state also collects a variable excise tax on diesel, the rate for which is set annually by BOE. The Governor's budget assumes that this rate will be 12 cents per gallon in 2015-16. The actual rate will be determined by BOE. This tax is estimated to generate revenue of \$418 million in 2015-16.



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 of Proposition 1B and other outstanding transportation bonds will be about \$1.3 billion in 2015-16.



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 2015-16, the Governor's budget uses about \$1 billion in weight fees to pay debt service on transportation bonds.
- In addition, the state uses certain miscellaneous revenues totaling about \$170 million to offset transportation debt-service costs. The Governor's budget also proposes to allocate \$153 million from the General Fund to pay debt service in 2015-16.



Proposed Expenditure of Transportation Funds

Transportation Budget Summary—Selected Funding Sources					
<i>(Dollars in Millions)</i>					
	Actual 2013-14	Estimated 2014-15	Proposed 2015-16	Change From 2014-15	
				Amount	Percent
Department of Transportation					
General Fund	\$83.4	\$83.4	\$84.0	\$0.6	0.7%
Special funds	4,854.5	3,735.4	3,633.6	-101.8	-2.7
Bond funds	1,334.7	559.2	562.4	3.1	0.6
Federal funds	3,771.4	4,759.8	4,627.1	-132.7	-2.8
Local funds	819.3	1,139.4	1,595.3	455.9	40.0
Totals	\$10,863.4	\$10,277.2	\$10,502.3	\$225.1	2.2%
High-Speed Rail Authority					
Bond funds	\$48.4	\$50.2	\$1,354.5	\$1,304.3	2597.5%
Federal funds	1,291.1	616.1	1,224.0	608.3	98.7
Greenhouse Gas Reduction Fund	—	250.0	250.0	—	0.0
Reimbursements	—	1.0	—	—	—
Totals	\$1,339.5	\$917.3	\$2,828.9	\$1,911.6	208.4%
California Highway Patrol					
Motor Vehicle Account	\$1,836.9	\$2,043.9	\$2,174.3	\$130.4	6.4%
Other special funds	164.7	180.1	182.9	2.8	1.5
Federal funds	15.5	19.9	19.8	—	-0.1
Totals	\$2,017.1	\$2,243.9	\$2,377.0	\$133.1	5.9%
Department of Motor Vehicles					
Motor Vehicle Account	\$975.1	\$1,058.7	\$1,049.8	-\$8.9	-0.8%
Other special funds	46.7	48.1	47.2	-0.9	-1.9
Federal funds	4.1	4.1	2.9	-1.2	-29.7
Totals	\$1,025.9	\$1,110.8	\$1,099.9	-\$11.0	-1.0%
State Transit Assistance					
Public Transportation Account	\$408.1	\$385.9	\$387.8	\$1.9	0.5%
Bond funds	278.4	649.2	150.0	-499.2	-76.9
Greenhouse Gas Reduction Fund	0.0	25.0	50.0	25.0	100.0
Totals	\$686.5	\$1,060.1	\$587.8	-\$472.3	-44.6%