



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** May 26, 2015
From: Council Member Nassif **Item No:** 16
Subject: CONSIDERATION OF SB 16 (BEALL): TRANSPORTATION FUNDING AND SCA 7 (HUFF): MOTOR VEHICLE FEES AND TAXES - RESTRICTION ON EXPENDITURES

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION:

Provide direction to staff.

SUMMARY:

Two (2) transportation bills of interest (one (1) of which is a constitutional amendment) are currently moving through the State legislature. SB 16 (Beall) proposes to increase taxes in order to provide much needed funding to the state and local roadway system over a period of five (5) years to address the overwhelming backlog of preservation and maintenance. SB 16 is currently under consideration by the Senate Appropriations Committee (hearing scheduled for 5/26) and is supported by the League of California Cities.

The second bill, SCA 7 (Huff), aims to close a loophole in California's constitutional protections that has led to a diversion of transportation taxes and fees that takes money away from transportation infrastructure projects. SCA 7 is currently before the Senate Transportation and Housing Committee.

BACKGROUND:

In his 2015 inaugural address, Governor Jerry Brown expressed the need to have "the roads, highways and bridges in good enough shape to get people and commerce to where they need to go... Each year we fall further and further behind, and we must do something about it." Earlier this session, Senators Jim Beall (D-San Jose) and Bob Huff (R-Diamond Bar) each introduced legislation to address transportation funding issues.

SB 16

Beall introduced SB 16: Transportation Funding, a bill which proposes to raise taxes for a five (5) year period to help offset the State's projected \$138 billion shortfall over the next ten (10) years. If adopted, the increase in taxes and fees will cost taxpayers an additional \$900 over the next five (5) years, totaling \$18.4 billion.

SB 16 proposes the following tax & fee increases:

- Vehicle Registration Fee increase of \$43 per vehicle to \$78 per vehicle
- New \$100 Vehicle Registration Fee for zero emission vehicles
- Vehicle License Fee increase from .65% of vehicle value to 1% of vehicle value
- Diesel tax increase of 12 cents per gallon (currently 13 cents)
- Gasoline excise tax increase of 10 cents per gallon (currently 20 cents)

Proponents of the bill advocate that without this additional funding, 25% of local streets will be in failed condition within ten (10) years. Additionally, a five (5) year delay in the approval of additional funding would come at a cost of an additional \$11 billion dollars and would require an extra ten (10) cent increase to the gasoline excise tax.

Arguments against SB 16 promote the idea that increasing taxes for transportation funding while the State banks a \$2 billion budget surplus is unnecessary, as a reprioritization of funding based on need is all that needs to occur. Others argue there is no guarantee that the taxes and fees accrued will go to transportation infrastructure improvements.

SCA 7

Early last month, Senator Bob Huff introduced SCA 7: Motor Vehicle Fees and Taxes - Restriction on Expenditures. His bill proposes to close a loophole that has allowed the legislature to divert taxes designated for transportation infrastructure projects. According to Senator Huff, over \$5 billion has been diverted from transportation accounts since 2010.

Advocates claim that SCA 7 is the only transportation bill that does not include an increase in taxes or fees, nor does it contain a provision that diverts taxes to projects that have nothing to do with road and highway maintenance.

Since SCA 7 is a proposed constitutional amendment, it requires a 2/3 majority approval to pass.

FISCAL IMPACT:

A support or opposition position on either bill has no fiscal impact.