



Funding Update | March 16, 2009

Governor Schwarzenegger to Veto Gas Tax Swap

Last night Governor Schwarzenegger sent a letter to legislative leadership announcing that he plans to veto the "gas tax swap" budget bills. The governor's explanation for the veto includes that the budget package provides no tax relief for consumers at the pump. He also says the package raises taxes on commuter rail services. The governor discusses in his letter his desire for bills which will stimulate job creation, provide tax credits for homeowners and businesses, and provide for attracting clean technology businesses to California.

The reference to increased taxes on commuter rail services refers to an issue raised by private railroads, which currently are exempt from the excise tax on diesel. Their concern is the increased cost they would pay as a result of the increased sales tax rate on diesel proposed in the "gas tax swap" package. The railroad industry states that this would result in a \$10 million tax increase for them. Furthermore, it appears that this impact will primarily affect freight rail rather than commuter rail.

We have heard from legislative leaders that they are working to repackage the proposal and submit it in the next few weeks. We understand that they will seek to remedy the governor's concerns while at the same time maintain funding for public transportation.

Please click [here](#) to see the letter from Governor Schwarzenegger. We will remain diligent in protecting the transit funding provided in the package to ensure that transit funding is maintained, and we will keep you informed of any new developments.

Please contact Legislative and Regulatory Assistant Sabrina Means at sabrina@caltransit.org or call 916-446-4656 if you have any questions.