



Funding Update | March 4, 2010

Legislature Passes "Gas Tax Swap" Bills

This morning the Senate and the Assembly passed the "gas tax swap" bills, which, among other provisions, will provide \$400 million in immediate appropriations from the Public Transportation Account (PTA) balance to the State Transit Assistance Program (STA).

The Association's Executive Committee recently voted to oppose the major element of the "gas tax swap" proposal, which is to eliminate the sales tax on gasoline and replace the revenue through increasing the excise tax on gas. The sales tax on gasoline has provided core revenues to the PTA for decades.

While the Association does not have a position on the entirety of the transportation budget package voted on today, we appreciate the efforts by the Legislature in working with us to maintain transit funding through today's bills (ABx8 6 and ABx8 9). Please click [here](#) to see the bill language for ABx8 6 and click [here](#) to see the bill language for ABx8 9.

The following is a summary of the "gas tax swap" bills passed today:

ABx8 6:

- Eliminates the sales tax on gasoline and increases the excise tax on gasoline by 17.3 cents.
- Beginning in 2011-12, increases the sales tax on diesel fuel by 1.75 percent (5% to 6.75%) and decreases the excise tax on diesel by 4.4 cents in 2011-12 (from 18 to 13.6 cents). The Board of Equalization will adjust this tax annually thereafter to maintain revenue neutrality. This change will generate roughly \$118 million in additional revenue for the Public Transportation Account (PTA) to fund the State Transit Assistance program and other PTA eligible expenditures.

ABx8 9:

- Appropriates \$400 million to transit operators to help fund operations for the remainder of 2009-10 and 2010-11.
- Provides that 75 percent of revenue from the increase on diesel sales tax be directed to transit operators beginning in 2011-12 (roughly \$350 million per year).
- Retains non-Article XIX funds that accrue from the sales of property to help fund the PTA (including intercity rail).
- Protects the education funding guarantee (Prop 98).
- Appropriates approximately \$700 million of revenue from the increase gas excise tax to go to bond debt service on an annual basis. The remaining funds will be split as follows: 12% SHOPP, 44% STIP 44% Local Streets and Roads,

Neither ABx8 6 or ABx8 9 include the provision that was part of an earlier version of the package, which provides new authority for metropolitan planning organizations to impose a fee (amount not specified) on gasoline to fund transit, bicycle and pedestrian projects. This provision may be put into a third bill and be dealt with later in the Legislative session (unclear if it will be Regular or Special Session).

The bills will now be sent to the governor to await his signature. 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.