Agenda Item 4b

METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Legislation Committee

DATE: March 5, 2010

FR: Executive Director

WI: 1131

RE: State Budget Update — Sales Tax/Excise Tax Swap Proposal

Despite a flurry of legislative activity to implement the proposed gasoline sales tax/excise tax swap, at the time this memo was prepared only the Assembly had taken action. They approved SB X8 6 on a party line vote of 43-24, which contains the following key provisions:

- Eliminate the state portion of the sales tax on gasoline beginning on July 1, 2010.
- Raise the excise tax on gasoline by 12.9-cents on July 1, 2010, for a total excise tax of 30.9 cents. Starting in FY 2011-12, raise the excise tax to the same level that would have been generated by the sales tax on gasoline.
- Fund transportation bond debt service "off-the-top." In 2010-11 about $600 million would go to debt service and this amount would grow annually and peak at $1.3 billion in 2017. In 2010-11 only, the funds available after debt service would be split evenly between the State Transportation Improvement Program (STIP) and Local Streets and Roads (LSR). Beginning in FY 2011-12, the balance would be split as follows:
  - 30% to fund state highway repairs
  - 30% to fund STIP projects
  - 40% to fund local street and roads

  Changes are being discussed to raise the share for the STIP and LSR (to make both 44 percent) to ensure that they are truly held harmless relative to Proposition 42.

- Appropriate $400 million for the State Transit Assistance (STA) program for the remainder of FY 2009-10 and FY 2010-11.
- Raise new funds for public transit by lowering the diesel excise tax (from 18 cents to 13.6 cents) and raising the sales tax on diesel fuel by 1.75 percent for an additional $123 million per year for the Public Transportation Account (PTA). Starting in FY 2011-12, appropriate 75 percent of PTA revenue to the STA program for a statewide total of approximately $350 million, growing annually along with the sales tax on diesel fuel.
- Authorize metropolitan planning organizations to place on the ballot for a majority vote a motor fuel fee for public transit, bicycle and pedestrian projects, consistent with an adopted Sustainable Communities Strategy pursuant to SB 375 (2008).

Staff will provide an update on the status of this proposal at your meeting on March 12.

Steve Heminger