

BILL ANALYSIS

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Date of Hearing: April 21, 2014

ASSEMBLY COMMITTEE ON TRANSPORTATION
Bonnie Lowenthal, Chair
AB 2728 (Perea) - As Amended: April 24, 2014

SUBJECT : Truck weight fees: General Fund debt service

SUMMARY : Prohibits the use of truck weight fee revenue to pay debt service on transportation-related general obligation bonds (transportation bonds), until January 1, 2019. Specifically, this bill:

- 1) Prohibits, notwithstanding any other provision of law, weight fee revenue from being transferred from the State Highway Account (SHA) to the Transportation Debt Service Fund or to the Transportation Bond Direct Payment Account, or to any other fund or account.
- 2) Explicitly prohibits weight fee revenue from being used to pay debt service on transportation bonds or from being loaned to the General Fund.
- 3) Provides that these provisions sunset on January 1, 2019.

EXISTING LAW :

- 1) Imposes weight fees on commercial trucks and directs the revenue to be deposited into the SHA and then transferred to the Transportation Debt Service Fund and the Transportation Bond Direct Payment Account to pay for debt service on transportation bonds.
- 2) Imposes an excise tax on gasoline, comprised of two parts:
 - a) A price-based excise tax the rate of which is calculated to generate revenue equal to what would have been generated had sales and use tax been collected on gasoline. The current rate is 21.5¢ per gallon until July 1, 2014, when it will drop to 18¢ per gallon; and,
 - b) The traditional excise tax of 18¢ per gallon.
- 3) Directs revenue from the price-based excise tax to be used first to backfill the SHA for weight fees that are diverted

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for debt service and directs the remaining revenue to be used as follows:

- a) 44% for local streets and roads;
 - b) 44% for transportation construction projects identified in the State Transportation Improvement Program (STIP); and,
 - c) 12% for highway maintenance and operations projects, as identified in the State Highway Operations and Protections Program (SHOPP).
- 4) Directs revenue from the traditional excise tax to be used as follows:
- a) 36% to cities and counties for local streets and roads; and,
 - b) 64% to the SHA for use as follows:
 - i) Support of the California Department of Transportation;
 - ii) Maintenance and operation of the state highway system;
 - iii) The SHOPP; and,
 - iv) Local Assistance.

Any remaining funds are split 75% to regional transportation improvement program and 25% to the STIP.

FISCAL EFFECT : Weight fees generate over \$900,000 annually. This bill stops the use of this revenue for General Fund relief for four years. Consequently, there will undoubtedly need to be a reconciliation with the budget process should this bill be

approved.

COMMENTS : The use of weight fees to pay for debt service is part of a larger budgetary and statutory arrangement referred to as the gas tax swap. ABX8 6 (Committee on Budget), Chapter 11, Statutes of 2010 enacted the original gas tax swap. That bill eliminated the sales tax on gasoline and replaced it with an

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increase in gasoline excise tax designed to generate an equivalent amount of revenue. Among its many provisions, the original gas tax swap created a new, non-General Fund revenue stream of about \$1 billion annually from the new price-based excise tax. That money was originally used to repay the General Fund's cost of debt service on transportation bonds.

Later in 2010, voters approved Proposition 22 which prohibits excise tax revenues from being used to pay debt service on transportation bonds. As a result of this restriction, excise tax revenue could no longer be used for General Fund relief. In response, the Legislature passed and the Governor signed a reconstituted gas tax swap, AB 105 (Committee on Budget), Chapter 6, Statutes of 2012. Under the reenacted gas tax swap, weight fee revenue rather than excise tax revenue is used to provide General Fund relief for debt service on transportation bonds.

For 2014-15, debt service on transportation bonds that are eligible for the weight fee offset is expected to exceed \$1.1 billion and the Governor's budget proposes to use all \$958 million in weight fees to reimburse the General Fund for these costs.

AB 2728 will stop the transfer of funds from the SHA to pay for debt service. Consequently, it will also stop the need to backfill the SHA with revenue generated by the price-based excise tax. As a result, over \$900 million in weight fees will be distributed using the same formula that revenue that the rest of the price-based excise tax is distributed—that is, a 44%/44%/12% split.

According to the author, in the three years since the gas tax swap was enacted, the economy improved and voters approved Proposition 30 (2012) which increased sales and income taxes thereby boosting General Fund coffers. The author believes it is appropriate now to recapture truck weight fee revenue and use it to fix the state's roadway system. The bill has a 2019 sunset date, which coincides with the sunset date in Proposition 30.

Funding to pay for maintenance and repair on the state highway system comes from taxes on gasoline and diesel fuel. Revenue from these taxes is declining because of reduced fuel consumption and because of funding shortfalls in the Federal Highway Trust Fund. The estimated funding available for state

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highway preservation is \$1.8 billion annually; however, the estimated need for rehabilitation and reconstruction of the state highway system is about \$7 billion annually. Funding for local streets and roads is in equally desperate straits. Moreover, these costs estimates are for preservation only. Estimated costs for needed improvements are greater still.

AB 2728 will not cure these funding ills. It will, however, slow the bleeding.

Related legislation : AB 2652 (Linder), among other provisions, repays transportation loans from the General Fund. AB 2652 is in the Assembly Budget Committee.

AB 2653 (Linder) repeals specific provisions that enacted the weight fee revenue transfer and the SHA backfill. AB 2653 is in the Assembly Budget Committee.

AB 2651(Linder) is nearly identical to this bill except that it becomes operational January 1, 2016 and continues indefinitely. AB 2651 was set to be heard in this committee but was pulled from the hearing at the request of the author who will be added as the joint author to AB 2728.

SB 1418 (DeSaulnier) effectively accomplishes the same thing that AB 2651 and AB 2728 do but does it by repealing specific provisions that enacted the weight fee revenue transfer and the SHA backfill. SB 1418 is scheduled to be heard in Senate Transportation and Housing Committee on April 29, 2014.

REGISTERED SUPPORT / OPPOSITION :

Support

Automobile Club of Southern California
California Alliance for Jobs
California Trucking Association
Transportation California
United Contractors

Opposition

None on file

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