



## CEAC Transportation Policy Committee

17th Annual Policy Conference

Thursday, August 18, 2022 | 3:15 pm – 5:00 pm

Capitol Event Center

1020 11th Street, 2nd Floor, Sacramento, CA 95814

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### AGENDA

Chair, David Fleisch, Ventura County

Vice Chair, Stephen Kowalewski, Contra Costa County

Vice Chair, Jeff Moneda, San Diego County

Vice Chair, Najee Zarif, San Joaquin County

- 3:15 p.m. I. **Welcome and Introductions**  
*Chair, David Fleisch, Ventura County*
- 3:20 p.m. II. **Legislative and Budget Update**  
*Mark Neuburger, CEAC Program Director*  
*CSAC Legislative Representative Housing, Land Use & Transportation*
- 3:30 p.m. III. **Caltrans Presentation**
  - Active Transportation & Complete Streets  
*Alyssa Begley, Office of Active Transportation and Complete Streets, Caltrans*
- 4:00 p.m. IV. **Legislative Proposal**
  - Zero Emission Vehicle (ZEV) Fee Revenue Fund Shift (Los Angeles) - **Attachment One**
- 4:15 p.m. V. **Discussion Items**
  - Surface Transportation Block Grant (STBG) Allocations (SHC 182.6(d)(2))
  - CBC 11B-250 - Circulation Paths
- 4:40 p.m. VI. **Committee Updates**
  - Active Transportation Program-Technical Advisory Committee
    - (ATP-TAC) – Representative Ariana Lopez
  - California Traffic Control Devices Committee (CTCDC)
    - Representative Bob Bronkall
  - Federal Lands Access Program (FLAP)

- Representative Joshua Pack
- Highway Bridge Program Committee (HBP)
  - Representative Matt Randall
- Highway Safety Improvement Program (HSIP)
  - Representative Stephanie Holloway/Tom Mattson
- Local Streets and Roads Needs Assessment (LSR)
  - Representative David Leamon
- Transportation Cooperative Committee (TCC)
  - Representative Najee Zarif

4:55 p.m. VII **Future Agenda Items**

5:00 p.m. VIII. **Adjournment**

**LIST OF ATTACHMENTS**

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Attachment One.....Legislative Proposal: Zero Emission Vehicle  
(ZEV) Fee Revenue Fund Shift



**Attachment One**

Legislative Proposal: Zero Emission Vehicle (ZEV) Fee Revenue Fund Shift

## **Los Angeles County: ZEV Revenue Split & Shift to HUTA**

The Los Angeles County Public Works Department requests that CEAC sponsor a bill to amend existing SB 1 (2017) sections be amended to shift revenues derived from registration fees collected on Zero-Emission Vehicles (ZEV) to be deposited in both the Road Maintenance and Rehabilitation Account (RMRA) and the Highway User Tax Account (HUTA) funds. Currently, revenues from ZEV registration fees are only deposited in the RMRA. The proposer indicates that making this change would help to offset the impacts that transitioning to zero emission vehicles (ZEV) will have on the portion of Road funds that local cities and counties need to support operations and maintenance programs.

### **CSAC Staff Comments:**

The effort by the current state administration to encourage the adoption of ZEVs by the public as well as the recent increases in individuals purchasing ZEVs will lead to reductions in fuel derived transportation revenues. This reality is broadly recognized by federal, state and local transportation policy staff and SB 1 through the ZEV fee and other mechanisms. These were the initial attempts to ensure that these transportation modes contribute to the maintenance of the state's transportation network. CEAC and CSAC were part of the broad coalition of state and local stakeholders that successfully worked toward the passage of SB 1 and successfully defended against the attempt by Proposition 6 (2018) to overturn SB 1. CEAC and CSAC have adopted policy positions which require the association to protect state transportation revenues and oppose efforts to use transportation revenues outside their intended purposes. Proposing to alter the fund(s) that receive ZEV revenues would conflict with existing CEAC and CSAC policy platforms. CEAC has identified exploring a Road User Charge as a policy priority and staff recommends that the Association determines how it can best participate in that process.

### **Relevant CSAC County Platform Priority:**

Chapter 10: Housing, Land Use and Transportation:

Section 4: Conclusion

Relevant CEAC Policy and Legislative Priorities

Transportation: Priority 2

## Proposition 6

### **Eliminates Recently Enacted Road Repair and Transportation Funding by Repealing Revenues Dedicated for Those Purposes. Requires Any Measure to Enact Certain Vehicle Fuel Taxes and Vehicle Fees Be Submitted to and Approved by the Electorate. Initiative Constitutional Amendment.**

#### **Yes/No Statement**

A **YES** vote on this measure means: Fuel and vehicle taxes recently passed by the Legislature would be eliminated, which would reduce funding for highway and road maintenance and repairs, as well as transit programs. The Legislature would be required to get a majority of voters to approve new or increased state fuel and vehicle taxes in the future.

A **NO** vote on this measure means: Fuel and vehicle taxes recently passed by the Legislature would continue to be in effect and pay for highway and road maintenance and repairs, as well as transit programs. The Legislature would continue not to need voter approval for new or increased state fuel and vehicle taxes in the future.

#### **Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact**

- Reduced ongoing state revenues of \$5.1 billion from the elimination of fuel and vehicle taxes passed by the Legislature in 2017. These revenues mainly would have paid for highway and road maintenance and repairs, as well as transit programs.
- The requirement that voters approve new or increased fuel and vehicle taxes passed by the Legislature in the future could result in lower revenues from such taxes than otherwise would have been available.

#### **Ballot Label**

**Fiscal Impact:** Reduced ongoing revenues of \$5.1 billion from state fuel and vehicle taxes that mainly would have paid for highway and road maintenance and repairs, as well as transit programs.

## **BACKGROUND**

### **Approval of State Taxes**

*Legislative Requirements.* Under the State Constitution, the Legislature can only pass a new tax or increase an existing tax with a two-thirds vote. (The Legislature can pass most other types of laws with a simple majority.) Some state charges referred to as fees (such as vehicle license fees) fall under the constitutional definition of a tax.

*Voter Approval Requirements.* The Legislature does not need to get voter approval for new or increased taxes that it passes. The voters—through the initiative process—can pass new taxes or increase existing taxes without the Legislature’s involvement.

### **State Fuel and Vehicle Taxes**

*Fuel Taxes.* The state charges excise taxes on gasoline and diesel fuel. These taxes are set on a per-gallon basis. The state also charges sales taxes on gasoline and diesel fuel. These taxes are set as a percent of the price of the fuel. The State Constitution generally requires that the revenues from these fuel taxes be spent on highways, roads, and transit.

*Vehicle Taxes.* State law requires vehicle owners to pay two specific taxes for the privilege of operating a vehicle on public highways. These are (1) vehicle license fees and (2) recently enacted transportation improvement fees, both of which are based on a vehicle’s value. The State Constitution requires that the transportation improvement fee revenues be spent on highways, roads, and transit.

### **Transportation Funding in California**

Transportation funding in California currently is estimated to total \$35 billion. Of this amount, \$16 billion comes from local sources, \$12 billion from state sources, and \$7 billion from federal sources. Local funding mainly comes from sales taxes, transit fares, and city and county

general funds, while federal funding mainly comes from federal fuel taxes. State funding mainly comes from state fuel and vehicle taxes. State funding has increased by about three-quarters over the last two years mainly due to recent legislation.

***Recent State Transportation Funding Legislation.*** In 2017, the Legislature enacted Senate Bill (SB) 1 to increase annual state funding for transportation through various fuel and vehicle taxes (shown in Figure 1). Specifically, SB 1 increased the base gasoline excise tax (by 12 cents per gallon) and the diesel sales tax (by 4 percent). It also set fixed rates on a second (add-on) gasoline excise tax and the diesel excise tax, both of which previously could change each year based on fuel prices. Further, SB 1 created the transportation improvement fee (which ranges from \$25 to \$175 per year) and a fee specifically for zero-emission vehicles (set at \$100 per year for model years 2020 and later). It also provides for inflation adjustments in the future. This fiscal year, the state expects the taxes to raise \$4.4 billion. Two years from now, when all the taxes are in effect and the inflation adjustments have started, the state expects the taxes to raise \$5.1 billion. The State Constitution requires that nearly all of these new revenues be spent on transportation purposes. Senate Bill 1 dedicates about two-thirds of the revenues to highway and road repairs, with the remainder going to other programs (such as for mass transit).



**Figure 1**  
**Senate Bill 1 Revenues**

	Tax Rates		Annual Revenues (In Billions)	
	Prior Rates	New Rates	Current Year	In Two Years
<b>Gasoline Taxes</b>				
Excise (base)	18 cents	30 cents	\$1.9	\$2.1
Excise (add-on)	Varied <sup>a</sup>	17.3 cents	— <sup>b</sup>	0.2
<b>Diesel Taxes</b>				
Excise	Varied <sup>c</sup>	36 cents	0.7	0.7
Sales	1.75 percent	5.75 percent	0.3	0.4
<b>Vehicle Taxes</b>				
Transportation improvement fee	—	\$25 to \$175	1.5	1.6
Zero-emission vehicle fee	—	\$100	— <sup>b</sup>	— <sup>d</sup>
<b>Totals</b>			<b>\$4.4</b>	<b>\$5.1</b>

<sup>a</sup> Set annually based on prices. Current rate is 11.7 cents but rate has ranged from 9.8 cents to 21.5 cents in the past.  
<sup>b</sup> New rate not yet in effect.  
<sup>c</sup> Set annually based on prices. Most recent rate was 16 cents but rate has ranged from 10 cents to 18 cents in the past.  
<sup>d</sup> \$48 million.

## PROPOSAL

***Requires Legislature to Get Voter Approval for Fuel and Vehicle Taxes.*** Proposition 6 amends the State Constitution to require the Legislature to get voter approval for new or increased taxes on the sale, storage, use, or consumption of gasoline or diesel fuel, as well as for taxes paid for the privilege of operating a vehicle on public highways. Thus, the Legislature would need voter approval for such taxes as gasoline and diesel excise and sales taxes, vehicle license fees, and transportation improvement fees.

***Eliminates Recently Enacted Fuel and Vehicle Taxes.*** Proposition 6 also eliminates any such fuel and vehicle taxes passed by the Legislature after January 1, 2017 and up to the date that Proposition 6 takes effect in December. This would eliminate the increased fuel taxes and the transportation improvement fees enacted by SB 1.

## **Fiscal Effects**

*Eliminates Tax Revenues From SB 1.* In the current fiscal year, Proposition 6 would reduce SB 1 tax revenues from \$4.4 billion to \$2 billion—a \$2.4 billion decrease. (The \$2 billion in remaining revenues would be from taxes collected prior to Proposition 6 taking effect in December.) Two years from now, the revenue reduction would total \$5.1 billion annually. The funding reductions would mainly affect highway and road maintenance and repair programs, as well as transit programs.

*Makes Passage of Specified Fuel and Vehicle Taxes More Difficult.* Proposition 6 would make it more difficult to enact specified fuel and vehicle taxes because voters also would have to approve them. As a result, there could be less revenue than otherwise would be the case. Any reduction in revenues is unknown, as it would depend on future actions by the Legislature and voters.