

Agenda Report

TO: City Council

May 16, 2000

THROUGH: Legislative Committee

FROM: City Manager

SUBJECT: Support for Assembly Bill 2451 (Runner) *Motor Vehicle Fuel Taxes: Local Roads* and Assembly Bill 2742 (Baugh) *Transportation Funding*.

RECOMMENDATION

It is recommended that the City Council:

1. Support Assembly Bill 2451 (Runner) *Motor Vehicle Fuel Taxes: Local Roads*;
2. Support Assembly Bill 2742 (Baugh) *Transportation Funding*;
3. Support any similar bills that would increase the local governments' funding for street maintenance and traffic management; and
4. Authorize the Mayor to send letters to the appropriate authorities stating Pasadena's position.

BACKGROUND

Currently a portion of the State's gas tax is distributed to cities and counties for the construction and maintenance of the local road network. Staff is aware of three active bills which would all increase the amount of gas tax allocated to local governments. The City Council has previously voted to support one of these bills, AB 1303 (Florez) *Highways: Local Projects Funding* and now recommends a support position on two other gas tax bills, AB 2451 (Runner) *Motor Vehicle Fuel Taxes: Local Roads* and AB 2742 (Baugh) *Transportation Funding*. While each of these bills is slightly different, they each would increase cities' level of gas tax funding.

The State gas tax is a critical funding source that allows municipalities to address critical street maintenance and traffic management needs. In Pasadena's General Plan, each specific plan and project plan, traffic continues to be one of the primary concerns. Stopping all development is not a viable option because it would have the negative impact of reducing our housing supply, jobs and City revenue for police, fire and parks. It is therefore

critical that the City make improvements to its street and transit systems. Increased funding for these critical needs could be provided by legislation that increases local governments' level of gas tax funding.

Assembly Bill 2451

On February 24, 2000, Assembly Member Runner introduced AB 2451, *Motor Vehicle Fuel Taxes: Local Roads*. Currently, the law provides for the imposition and collection of a license tax of \$0.18 per gallon for the privilege of distributing motor vehicle fuel in the state. Revenue from that tax is deposited in the Motor Vehicle Fuel Account in the Transportation Tax Fund and used for the maintenance of public streets and highways.

Assembly Bill 2451 would shift approximately \$290 million in annual revenue from the Motor Vehicle Fuel Account to cities and counties for maintenance of local streets and roads and transfer an equivalent amount from the General Fund to the Motor Vehicle Fuel Account. It would do this by diverting two cents out of the \$0.18 per gallon license tax (that is imposed on distributors of motor vehicle fuel) from the Motor Vehicle Fuel Account to the Local Government Road Maintenance Account, which the bill would create. Fifty percent of the funding would be allocated to cities on a per capita basis and the remaining fifty percent would go to counties on a county road mile basis. This bill would result in a \$290 million annual loss to the State's General Fund.

The League of California Cities and the California Association of Counties support this bill because of its overall benefit to local governments. On May 3, 2000, a hearing on AB 2451 in the Assembly Committee on Appropriations was canceled at the request of the author.

Assembly Bill 2742

On February 25, 2000, Assembly Members Baugh and Strickland introduced AB 2742, *Transportation Funding*, which is sponsored by the Southern California Association of Governments. AB 2742 provides for a series of temporary transfers in transportation funds over a five-year period. The bill would shift \$330 million per year from the State Highway Account to cities and counties, with a \$500 million backfill. The bill would also shift \$156 million per year from the General Fund for mass transportation purposes.

Assembly Bill 2742 would specifically:

- (1) Shift 2.2 cents of the state gas tax to cities and counties for the maintenance of local streets and roads (approximately \$330 million);
- (2) Shift \$330 million generated from the sales tax on gasoline that now goes to the state General Fund to the State Highway Account to offset the gas tax shift to local governments;
- (3) Shift \$156 million generated from the application of the sales tax on 27 cents of the 36 cents state and federal gallonage tax on gasoline to the Public Transit Account.

This money would be allocated to cities and counties based on population.

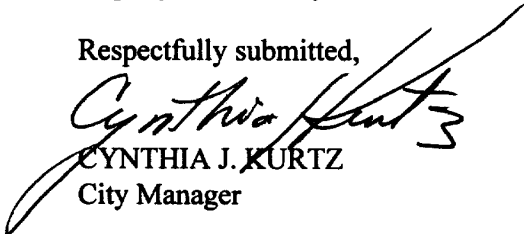
- (4) Create a statewide transportation capital program that could generate up to \$4 billion over five years for transportation facilities. After accounting for the allocations to the State Highway Account, \$430 million of the gasoline sales tax remains in the General Fund. AB 2742 allocates this revenue plus an additional \$70 million of General Fund revenue to the State Highway Account annually to fund new transportation facilities. A fifty-percent match of state and federal funds would be required by localities and regions to use this revenue.

The League of California Cities supports this bill because of its overall benefit to cities. On March 23, 2000, AB 2742 was re-referred to the Assembly Committees on Transportation and Revenue and Taxation.

FISCAL IMPACT:

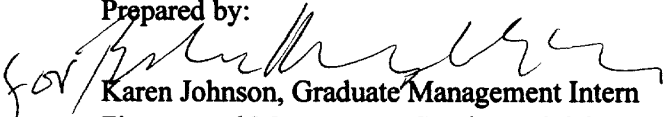
Passage of AB 2451 and AB 2742 would provide additional transportation revenue directly to Pasadena and all other cities and counties in the state for maintenance of local streets and roads. Pasadena currently receives approximately \$2.5 million of gas tax per year. Assembly Bill 2451 will increase Pasadena's amount by \$75,000 per year and AB 2742 will increase Pasadena's amount by approximately \$88,000 per year for five years.

Respectfully submitted,



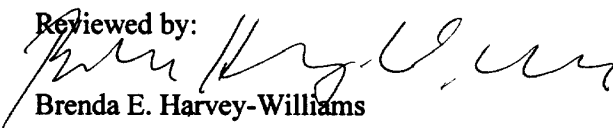
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