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Association Legislative Alert!

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California transportation deal includes 20-cent diesel tax hike!

By Keith Goble

A renewed effort to fund transportation work is underway at the California statehouse. Professional drivers are eyed as major contributors for the funding plan. An indication of just how important a transportation funding solution is in Sacramento, the first bills introduced in each chamber for the 2017 regular session address methods to raise more than $6 billion for state and local roads, trade corridors, and public transit.

Sen. Jim Beall, D-San Jose, and Assemblyman Jim Frazier, D-Oakley, are behind the funding bills, SB1 and AB1. “Without action soon, our crumbling roads will severely affect California’s economy,” Beall said in prepared remarks. The lawmakers offered similar plans during a recently completed special session on transportation. However, the proposals never gained momentum during a session billed as necessary to address some of the nearly $140 billion in state and local needs over the next decade.

“My commitment to passing a comprehensive funding plan that addresses California’s failing transportation system will not waiver,” Frazier stated. The main component of the new package would raise nearly $3.8 billion mostly via increases in the gas and diesel tax rates. The current tax rates are set at 33 cents per gallon for diesel and 32.8 cents for gas.

A 12-cent gas tax increase is included. AB1 calls for the increase to be applied at once. SB1 would phase-in the increase over three years. The tax would be raised by 6 cents the first year, and another 3 cents each of the next two years. Not to be outdone, the diesel rate would be increased by 20 cents to raise $600 million annually. The money would be designated for freight, trade corridors and goods movement.

California’s current collection method for fuel taxes would also be abandoned. No longer would the state Board of Equalization annually adjust the excise tax rates. Instead, the price-based tax rates would be restored. In addition, the sales tax applied to diesel purchases would be increased. SB1 calls for a 4 percent increase while AB1 would impose a 3.5 percent increase.

Revenue from the diesel sales tax increase, however, would not directly benefit trucking. The money would be deposited into an account for transit and intercity rail projects. The Owner-Operator Independent Drivers Association supports efforts to raise revenue for transportation work in the state. However, the group opposes any plan that calls for truckers to foot more of the responsibility to help bail the state out of its funding hole.

Additional components in the funding plan would increase annual vehicle registration fees by $38 and apply an annual $100 fee for zero-emission vehicles. The changes would raise $1.3 billion annually. All tax and fee rates would be indexed to inflation to allow for increases every three years. Touted as a way to benefit highways, local streets, transit, bikes and pedestrians, the Democrat-led initiative would divide new revenue between the state and local governments for road maintenance and rehabilitation.

A two-thirds majority vote is needed for passage in each chamber. The required margin was enough to derail efforts during the past year because Democrats were unable to secure enough Republicans votes. As a result of the November election, Democrats have achieved the supermajority necessary at the statehouse to push through legislation without needing to woo any Republicans to their side.

Multiple initiatives sought by GOP lawmakers are included in the Democratic plan. The first initiative calls for establishing an Office of Transportation Inspector General to monitor the efficiency and effectiveness of agencies that spending transportation-related revenues.

A requirement to shift $500 million in existing truck weight fees back to roads is also included.
Since 2010 state lawmakers have diverted from the state's highway account to the general fund the vehicle fees paid by commercial drivers. The revenue is used to repay transportation bond debt. If approved, the shift would be completed over five years.

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