

DEPARTMENT: Board of Supervisor

BY: Kevin Cann

PHONE: 966-3222

RECOMMENDED ACTION AND JUSTIFICATION:

Authorize the Chairman of the Board of Supervisors to sign a letter urging the State Legislature to approve the Governor's budget proposal to re-validate the March 2010 gas tax swap. Please see the attached correspondence from the Regional Council of Rural Counties (RCRC).

BACKGROUND AND HISTORY OF BOARD ACTIONS:

The Board has authorized the Chairman to sign letters they deem support issues that are critical to Mariposa County.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

Do not authorize the Chairman to sign the letter as drafted and direct to make changes. Do not authorize the Chairman to sign the letter. Individual members may draft their own letters which may not have the weight of a letter endorsed by the Board.

Financial Impact? () Yes (X) No	Current FY Cost: \$	Annual Recurring Cost: \$
Budgeted In Current FY? () Yes () No () Partially Funded		
Amount in Budget: \$ _____		List Attachments, number pages consecutively _____
Additional Funding Needed: \$ _____		RCRC Correspondence _____
Source:		Draft Letter _____
Internal Transfer _____		_____
Unanticipated Revenue _____ 4/5's vote		_____
Transfer Between Funds _____ 4/5's vote		_____
Contingency _____ 4/5's vote		_____
() General () Other		_____

CLERK'S USE ONLY:

Res. No.: 11-47 Ord. No. _____
 Vote - Ayes: 5 Noes: _____
 Absent: _____
 Approved
 () Minute Order Attached () No Action Necessary

COUNTY ADMINISTRATIVE OFFICER:

Requested Action Recommended
 No Opinion
 Comments: _____

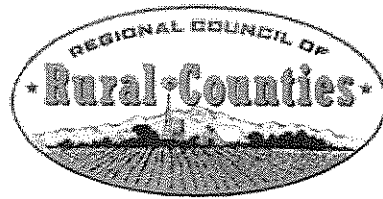
The foregoing instrument is a correct copy of the original on file in this office.

Date: _____
 Attest: MARGIE WILLIAMS, Clerk of the Board
 County of Mariposa, State of California

By: _____
 Deputy

CAO: 

Alpine Amador Butte Calaveras Colusa
Del Norte El Dorado Glenn Imperial
Inyo Lake Lassen Madera Mariposa



Merced Modoc Mono Napa Nevada Placer
Plumas San Benito Shasta Sierra Siskiyou
Sutter Tehama Trinity Tuolumne Yuba

Chair - Diane Dillon, Napa County
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Second Vice Chair - Kevin Cann, Mariposa County
Past Chair - Larry Munger, Sutter County

President and CEO - Greg Norton
Executive Vice President - Patricia J. Megason
Chief Financial Officer - Karl Dolk

To: RCRC Board of Directors
From: Paul A. Smith, Senior Legislative Advocate
Melissa White, Senior Analyst
Date: January 11, 2011
Re: Re-enactment of the Gas Tax Swap

Summary

This memo summarizes current legislative activities to preserve state and local transportation funding.

Background

Prior to last year, state and local transportation efforts were primarily funded – at the state level - by the state excise tax (per gallon tax) on motor fuels and the sales tax levied on the sale of motor fuels. Specifically, portions of the state excise tax are returned to cities and counties (commonly known as the Highway Users Tax Account or HUTA) to be used with great discretion at the local level. Furthermore, the sales tax on motor fuels was used for a variety of state and local capital improvement projects benefitting a variety of transportation methods.

In an effort to reorganize transportation funding and provide State General Fund relief for bonded indebtedness associated with transportation, the Legislature – on a majority vote - enacted a very complex scheme known as the “Gas Tax Swap.” The Swap made the following changes:

- Eliminated the sales tax on gasoline and replaced it with a 17.3-cents per gallon excise tax increase, indexed to keep pace with what the sales tax on gasoline would have generated in a given fiscal year to ensure true revenue neutrality. Proceeds from the ‘new’ excise tax on gasoline are allocated as follows: 44% State Transportation Improvement Program (STIP); 44% Local Streets and Roads; and 12% State Highway Operation and Protection Program (SHOPP).
- Reduced the excise tax on diesel to 13.6-cents and replaced it with an increase in the sales tax rate on diesel by 1.75 percent, and provided an exemption to hold harmless entities that would be impacted from this change. Proceeds from the increase in the sales tax on diesel are forwarded to fund transit purposes.

Issue

On November 2, 2010, the voters approved two measures – Proposition 22 and Proposition 26 – which greatly impact the current configuration of transportation funding. Proposition 22 limits the use of HUTA funds for bond debt and General Fund relief as required in the Swap. More importantly, Proposition 26 invalidates the majority vote replacement taxes approved in the Swap. Without legislative re-enactment of the Swap, these replacement taxes will be invalidated in November 2011. With the exception of the Legislative Analyst's Office, transportation stakeholders believe that if the Swap is invalidated (which is undisputed), the funding scheme in place prior to the Swap does not re-appear, leaving transportation funding severely reduced by approximately \$2.5 billion annually. Additionally, billions more federal dollars could be at stake as the state funds are used to match federal funds for projects.

In order to address these issues with the Swap, RCRC has joined a coalition of transportation stakeholders to urge the Legislature to re-enact a comprehensive solution that addresses state general fund, state and local transportation, and transit concerns. The comprehensive package will:

1. Validate the replacement tax provisions as contained in the Swap with a 2/3rds vote of the Legislature;
2. Reenact a revised portion of the Swap that allows the new 17.3-cent gas excise tax and 1.75 percent sales tax rate increase on diesel to be allocated for its intended uses and achieves the same fiscal results anticipated when the Swap approved in March 2010.

Staff Recommendation

The passage of the validation of the Swap will not be easy. Under Proposition 26, a re-enactment requires a 2/3rds vote in the Legislature, which means that Republicans will need to support the re-enactment even though there was not one single Republican vote for the Swap last year.

RCRC staff is requesting that each RCRC member county endorse the legislation which re-enacts the Gas Tax Swap. Furthermore, RCRC staff encourages members of the Boards of Supervisors in RCRC counties have conversations with their respective public works directors so that at risk projects and personnel can be identified in the case these monies are no longer available to counties and/or the state for state and local highway improvement projects which are scheduled for construction in rural areas.

Attachment

- Copy of transportation coalition support letter

February 8, 2011

The Honorable Tom Berryhill
California State Senator
State Capitol, Room 3076
Sacramento, California 95814

A letter will also
be addressed and
sent to Assembly Member
Kristh Olsen.

Dear Senator Berryhill:

The Mariposa County Board of Supervisors urges you to support Governor Brown's budget proposal to re-validate the gas tax swap. If the Legislature does not act, then \$2.5 billion of vital transportation funding will be lost statewide and Mariposa County's road/transportation program will lose \$2 million which is twenty-five percent of our current funding level in our Road Fund. These funds are crucial to retain jobs and maintain a safe, effective transportation system.

Proposition 26 that was approved by the voters in November 2010 will invalidate 17.3-cents of gasoline excise taxes and a 1.75-percent sales tax rate on diesel. Both of these were enacted to replace Proposition 42 revenues that were eliminated in the gas tax swap adopted by the Legislature and signed by the Governor in March 2010. Additionally, Proposition 22 limits the use of gasoline taxes or Highway User Tax Account (HUTA) funds for bond debt and general fund relief as agreed to in the gas tax swap.

Mariposa County strongly supports a comprehensive solution to retain these replacement revenues and to also provide nearly \$1 billion in State General Fund relief by paying transportation bond debt with truck weight fees. Passage of these two elements is critical not only to maintain the parameters agreed to in the gas tax swap, but to preserve a bare bones revenue stream that is already meeting less than half of annual State and local maintenance and safety project needs.

In Mariposa County, if the gas tax swap is not re-validated and the funding is lost, this will have a devastating impact on the County's ability to simply maintain its existing road infrastructure. Specifically, certain approved road projects have already been started and if funding is lost then completing these projects will be in jeopardy.

Thank you for your assistance with this critical issue.

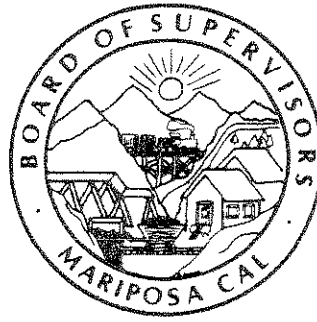
Sincerely,

JIM ALLEN
Chairman

mbh

cc: Melissa White, Regional Council of Rural Counties
DeAnn Baker, California State Association of Counties

Mariposa County Board of Supervisors



District 1 LEE STETSON
District 2 LYLE TURPIN
District 3 JANET BIBBY
District 4 KEVIN CANN
District 5 JIM ALLEN

RICHARD J. BENSON
County Administration Officer

MARGIE WILLIAMS
Clerk of the Board

P. O. Box 784
Mariposa, CA 95339
(209) 966-3222
(800) 736-1252
Fax (209) 966-5147

www.mariposacounty.org/board

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State Capitol, Room 3076
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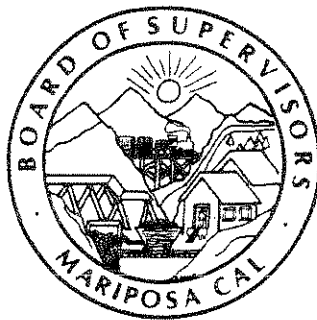
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February 8, 2011

Kristen Olsen
Assemblymember
State Capitol, Room 2111
Sacramento, California 95814

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