### Shared Revenue Estimates: State Revenue Allocations to Cities and Counties

# Local Streets and Roads Estimates: 2019-20, 2020-21 Including Highway Users Tax Account (HUTA) and Road Maintenance and Rehabilitation Account (RMRA)

The state of California imposes per-gallon excise taxes on gasoline and diesel fuel, sales taxes on gasoline and diesel fuel and registration taxes on motor vehicles with allocations dedicated to transportation purposes.[1] The local (city and county) portions of these allocations flow through the Highway Users Tax Account (HUTA), the familiar gasoline tax revenues that have been in place for decades, and the Road Maintenance and Rehabilitation Account (RMRA) which allocates much of the revenue from the Road Repair and Accountability Act of 2017 (SB1 Beall).

State taxes transferred to and allocated through the state Highway Users Tax Account (HUTA) include:

- The per gallon "gasoline tax" and "diesel fuel tax" imposed on the use of vehicle fuels.
- The "use fuel tax," imposed on vendors and users of motor vehicle fuels that are not taxed under either the gasoline or diesel fuel tax, such as liquefied petroleum gas, ethanol, methanol and natural gas (both liquid and gaseous) for use on state highways. Use Fuel Tax rates vary depending on the type of fuel.
- Variable rate per gallon gasoline diesel fuel excise taxes imposed in 2010-11 in a complicated arrangement known as the "fuel tax swap." This rate replaced the previous Proposition 42 sales tax on gasoline.

Transportation taxes allocated to cities and counties through the Road Maintenance and Rehabilitation Account (RMRA) established by the Road Repair and Accountability Act of 2017 (SB1 Beall) include:

- An additional 12 cent per gallon increase to the gasoline excise tax effective November 1, 2017 with annual inflation adjustments beginning July 1, 2020.
- An additional 20 cent per gallon increase to the diesel fuel excise tax effective November 1, 2017 with half of the revenues going to the state Trade Corridor Enhancement Account (TCEA) and half to the RMRA. Annual inflation adjustments beginning July 1, 2020.
- An additional vehicle registration tax called the "Transportation Improvement Fee" with rates based on the value of the motor vehicle effective January 1, 2018 with annual inflation adjustments beginning July 1, 2020.
- An additional $100 vehicle registration tax on zero emissions vehicles of model year 2020 or later effective July 1, 2020 with annual inflation adjustments beginning July 1, 2021.

The Road Repair and Accountability Act of 2017 (SB1 Beall) also adopted annual inflationary adjustments beginning July 1, 2020 to all per-gallon motor vehicle fuel excise taxes including the rates allocated through the Highway Users Tax Account (HUTA).

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[1] Taxes on aircraft jet fuel are transferred to the state Aeronautics Account.

# Highway Users Tax Account (HUTA)

## Revenue Allocations – Streets & Highways Code Sec 2103-2108 "HUTA"

Cities and counties receive revenue from the motor vehicle fuel taxes imposed pursuant to Revenue and Taxation Code Section 7360(a) and (b) through the Highway User Tax Account under the following formulas outlined in the Streets and Highways code and illustrated in Figure 1.

**Section 2104.** Section 2104 allocates funds to counties with designated allotments for engineering and administration, snow removal, heavy rainfall / storm damage as well as county streets, roads and public mass transit guideways and facilities.

**Section 2105.** Section 2105(a) allocates 11.5 percent of the tax revenues in excess of 9 cents per gallon (i.e. the Proposition 111 rate) monthly among counties based on population.

Section 2105(b) allocates 11.5 percent of the tax revenues in excess of 9 cents per gallon (i.e. the Proposition 111 rate) monthly among cities based on population.

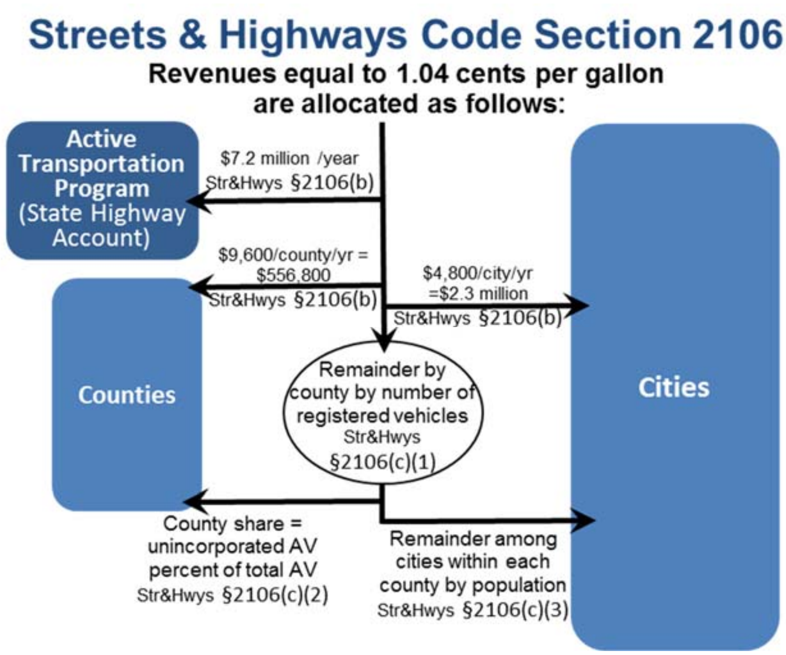
**Section 2106.** Revenues equal to 1.04 cents per gallon are allocated as follows:

a. $7.2 million per year to the State Bicycle Transportation Account.

b. $400 per month to each city ($2,308,800 per year among the 481 eligible cities[2])

c. $800 per month to each county ($556,800 per year among the 58 counties)

d. The residual amount to each county and the cities in that county based on registered vehicles. In each county, from this amount, the county receives an allotment based on the share of assessed value of the county which is in the unincorporated area. The remainder is allocated to the cities within the county based on population.




[2] The city of Rolling Hills has only private streets and is therefor not eligible to receive these allocations.

**Section 2107.** This section provides monthly allocations to cities of 1.315 cents per gallon of gasoline, 1.8 cents per gallon of diesel, and 2.59 cents per liquefied petroleum gas (LPG), as follows.

a. Each city with snow removal costs in excess of $5,000 is allocated 50 percent of the cost exceeding $5,000.

b. The remainder is allocated to cities based on population.

**Section 2107.5.** These funds (about $2.7 million per year) are allocated to cities annually in July based on population as follows:

| Streets & Highway Code §2107.5 | |
|---|---|
| City Population | Annual Allocation |
| over 500,000 | $ 20,000 |
| 100,000 to 500,000 | $ 10,000 |
| 50,000 to 99.999 | $ 7,500 |
| 25,000 to 49,999 | $ 6,000 |
| 20,000 to 24,999 | $ 5,000 |
| 15,000 to 19,999 | $ 4,000 |
| 10,000 to 14,999 | $ 3,000 |
| 5,000 to 9,999 | $ 2,000 |
| less than 5,000 | $ 1,000 |

Section 2107.5 funds must be used for engineering costs and administrative expenses related to city streets. Cities with populations under 10,000 may also expend the moneys for street construction or acquisition of street rights-of-way.

## Section 2103 HUTA and the 2010 Gasoline Sales Tax – Excise Tax Swap

In March 2010 as a part of a special budget session called by Governor Schwarzenegger, the Legislature enacted a swap of state sales taxes on gasoline for a gasoline excise tax. Intended to be "revenue neutral," the fuel tax swap provided the Legislature with greater flexibility in the use of funds, in particular relieving the general fund from the cost of state transportation debt service payments. The fuel tax swap:

1. Repealed the state sales tax on gasoline (local rates including the Bradley Burns are NOT affected);
2. Increased the excise tax on gasoline by 17.322 cents and added an annual adjustment mechanism intended to ensure the new excise tax provides, over time, the same amount of revenues expected from the sales tax on gas (no more, no less);
3. Increased the sales tax on diesel by 1.75 percent and allocated 75 percent to local transit agencies and 25 percent to state transit programs. The excise tax on diesel was reduced from 18 cents to 13.6 cents. Sales tax revenues from diesel must go to transit funding.
4. Provided for a specific allocation of the funds among state and local transportation needs.

Revenues from the new Section 2103 excise tax rate are now allocated as follows:

1. State transportation debt service;
2. Remainder allocated:
    a. 44 percent to the State Transportation Improvement Program (STIP);
    b. 12 percent State Highway Operation and Protection Program (SHOPP);
    c. 44 percent evenly split between cities and counties using current HUTA formulas.

Section 2103 funds are allocated to cities on a per capita basis and to counties 75 percent based on the proportion of registered vehicles and 25 percent based on the proportion of maintained county road miles.

The law included expressed legislative intent to fully replace the local streets and road funds cities and counties would have received under Proposition 42 state sales tax on gasoline with allocations from the new higher motor vehicle excise tax (HUTA) rate.

However, the swap created certain revenue effects related to the timing and receipt of revenues. In particular, the law provided that the new excise tax rate be adjusted annually by the BOE to garner an amount of revenues equal to what Prop42 would have provided in the prior year. Thus, the annual Sec 2103 funds were always "looking backward." If the Section 2103 amounts generated less than Prop42 would have, the difference was made up until the following year.

In the years following the swap, there were a number of snafus and changes in interpretation of the Section 2103 allocation. In FY2011-12 SCO allocated more money to cities and counties and did not fully backfill state transportation programs for weight fees that were used for debt service and loans that those funds would have otherwise received. This was contrary to the Legislature's intention, but the statute was not clear. The statute was clarified in the 2013 budget to clarify the original intent of the weight fee swap to fully backfill state transportation funds. [Streets & Highways Code 2103 (a)(1)(D)].

The Section 2103 Local Streets and Roads allocation to cities and counties have varied and declined dramatically and, due to BOE's failure to enact a rate increase in 2018, fell to $244 million for FY2018-19, about 5 percent down from prior year.

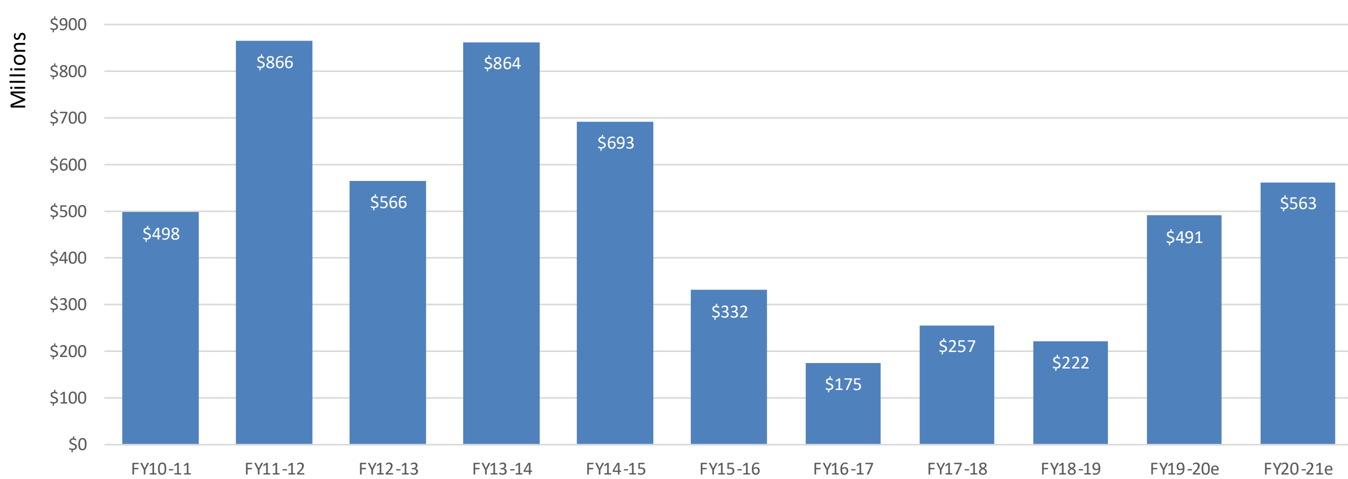
## Changes to HUTA Allocated Rates, Including the Variable Rate by the Road Repair and Accountability Act of 2017 (SB1 Beall)

In addition to increasing various fuel and motor vehicle registration taxes, the Road Repair and Accountability Act of 2017 (SB1 Beall) removed BOE's discretionary rate setting role over the Section 2103 variable rate and reset the variable rate at 17.3 cents per gallon on July 1, 2019, up from the current 11.7 cents. This adjustment more than doubled Section 2103 revenue allocations for FY2019-20 over the prior year.

With regard to diesel fuel taxes, SB1 also eliminated the price-based adjustment mechanism applied to the diesel fuel tax rate.

On July 1, 2020, and every July 1 thereafter, the gasoline and diesel fuel excise tax rates including the 18 cent per gallon base rate, the 17.3 percent per gallon rate, the diesel fuel excise tax rate and vehicle registration taxes will be increased by the change in the California Consumer Price Index.

**Streets & Highways Code Section 2103 Variable Gas Tax Allocations to Cities and Counties**



**California Gasoline Excise Tax Rates - Per Gallon**

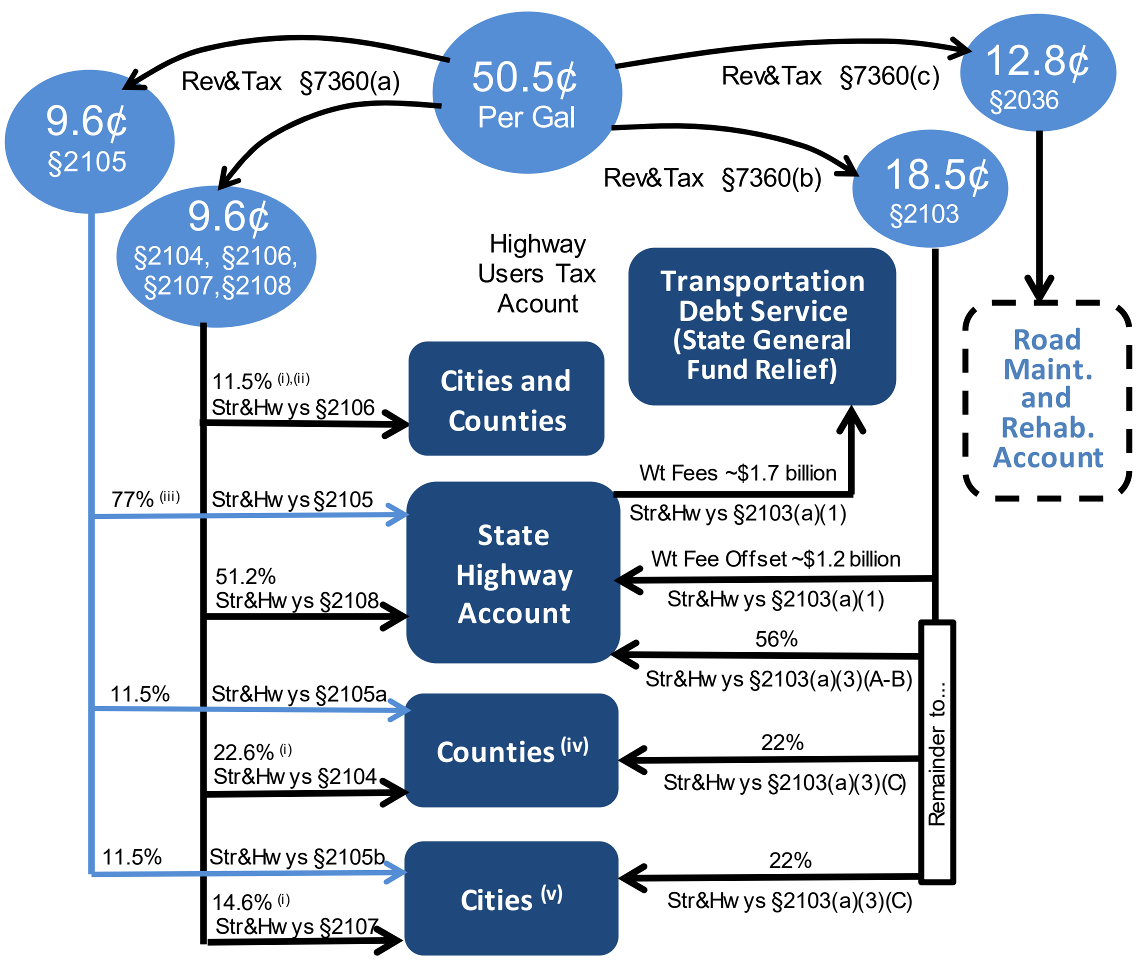
| Effective Date | Base Rate | Sec2103 | SB1 Rate | Total |
|---|---|---|---|---|
| July 1, 2010 | $ 0.180 | $ 0.173 | | $ 0.353 |
| July 1, 2011 | $ 0.180 | $ 0.177 | | $ 0.357 |
| July 1, 2012 | $ 0.180 | $ 0.180 | | $ 0.360 |
| July 1, 2013 | $ 0.180 | $ 0.215 | | $ 0.395 |
| July 1, 2014 | $ 0.180 | $ 0.180 | | $ 0.360 |
| July 1, 2015 | $ 0.180 | $ 0.120 | | $ 0.300 |
| July 1, 2016 | $ 0.180 | $ 0.098 | | $ 0.278 |
| July 1, 2017 | $ 0.180 | $ 0.117 | | $ 0.297 |
| Nov 1, 2017* | $ 0.180 | $ 0.117 | $ 0.120 | $ 0.417 |
| July 1, 2019 | $ 0.180 | $ 0.173 | $ 0.120 | $ 0.473 |
| July 1, 2020 | $ 0.192 | $ 0.185 | $ 0.128 | $ 0.505 |

**California Diesel Excise Tax Rates**

| Effective Date | Base Rate | SB1 Rate | Total |
|---|---|---|---|
| July 1, 2017 | $ 0.160 | | |
| Nov 1, 2017* | $ 0.160 | $ 0.200 | $ 0.360 |
| July 1, 2019 | $ 0.160 | $ 0.200 | $ 0.360 |
| July 1, 2020 | $ 0.171 | $ 0.214 | $ 0.385 |

*Rates effective July 1, 2020*

## Allocation of Gasoline Excise Tax Revenues



## Use of Funds: HUTA

The use of local Motor Vehicle Fuel Tax funds is restricted by Article XIX of the California State Constitution and by Streets and Highways Code Section 2101. All Motor Vehicle Fuel Tax funds allocated from the Highway Users Tax Account must be expended for the following:

> (a) The research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for nonmotorized traffic), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, and the administrative costs necessarily incurred in the foregoing purposes.
>
> (b) The research and planning for exclusive public mass transit guideways (and their related fixed facilities), the payment for property taken or damaged for such purposes, and the administrative costs necessarily incurred in the foregoing purposes.
>
> (c) The construction and improvement of exclusive public mass transit guideways (and their related fixed facilities), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, the administrative costs necessarily incurred in the foregoing purposes, and the maintenance of the structures and the immediate right-of-way for the public mass transit guideways.
>
> (d) The payment of principal and interest on voter-approved bonds issued for the purposes specified above.

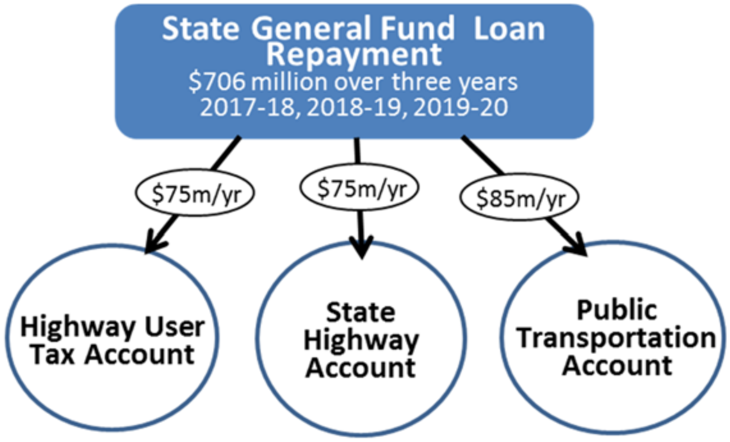
## Three Year State General Fund TCRF Loan Repayment Funds

SB1 stipulated the repayment of $706 million by the state General Fund to transportation funds over three fiscal years: 2017-18, 2018-19, and 2019-20. Under SB1, $75 million was allocated to local streets and roads from repayments of Transportation Congestion Relief Funds (TCRF) in each of these three years. These funds were allocated half to cities and half to counties with the city funds allocated among cities on a per capita basis, the county funds allocated among counties based on numbers of registered vehicles and county road mileage.

These TCRF revenues may be deposited in local HUTA funds.[3] However, these TCRF funds carry slightly different use requirements than HUTA funds. TCRF funds may be expended only for street and highway maintenance, rehabilitation, reconstruction or storm damage repair. For these purposes,

- "Maintenance" means patching and/or overlay and sealing.
- "Reconstruction" includes any overlay, sealing or widening of the roadway, if the widening is necessary to bring the roadway width to the state minimum standards, but does not include widening for the purpose of traffic capacity.
- "Storm damage repair" is repair or reconstruction of local streets and highways and related drainage improvements that have been damaged due to winter storms and flooding, and construction of drainage improvements to mitigate future roadway flooding and damage problems, in those jurisdictions that have been declared disaster areas by the President of the United States.

[3] Note that the "loan repayment" is between the state general fund and state transportation funds. From an accounting standpoint this is NOT a debt repayment to local agencies, it is simply revenue.




# Road Maintenance and Rehabilitation Account (RMRA)

## Revenue Allocations – Streets & Highways Code Sec 2031 "RMRA"

The Road Repair and Accountability Act of 2017 (SB1 Beall) represented a significant additional investment in California's transportation systems of over $5 billion per year. The Act increased per gallon fuel excise taxes, diesel fuel sales taxes and vehicle registration taxes, stabilized the problematic price-based fuel tax rates and provided for inflationary adjustments to rates in future years. The Act is more than doubling local streets and road funds allocated through the Highway Users Tax Account (HUTA) and through the Road Maintenance and Rehabilitation Account (RMRA) which it established.

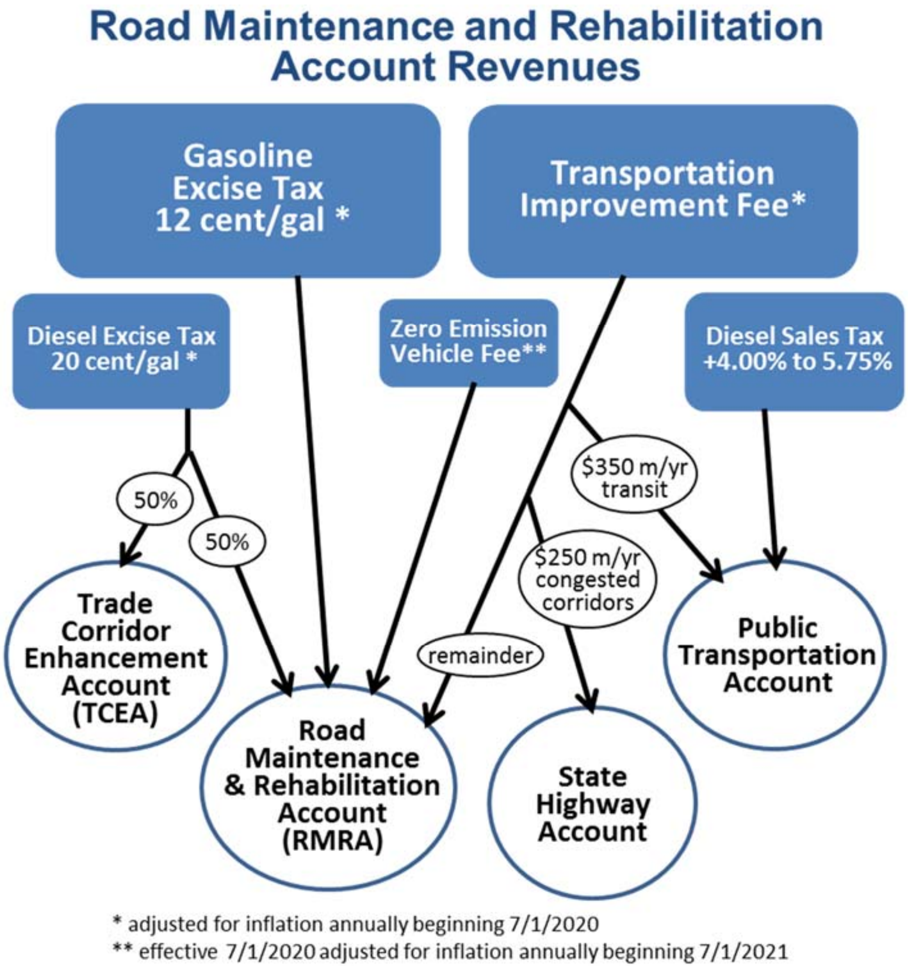
The RMRA receives funds[4] from the following new taxes imposed under the Road Repair and Accountability Act of 2017:

- A 12 cent per gallon increase to the gasoline excise tax effective November 1, 2017.
- A 20 cent per gallon increase to the diesel fuel excise tax effective November 1, 2017, half of which will be allocated to Trade Corridors Enhancement Account (TCEA) with the remaining half to the RMRA.
- A new vehicle registration tax called the "transportation improvement fee," effective January 1, 2018, based on the market value of the vehicle.
- An additional new $100 vehicle registration tax on zero emission vehicles model year 2020 and later effective July 1, 2020.
- Annual rate increases to these taxes beginning July 1, 2020 (July 1, 2021 for the ZEV fee), and every July 1 thereafter for the change in the California Consumer Price Index. The first adjustment to be made on July 1, 2020 will cover CPI change for two years: November 1, 2017 through November 12, 2019.

**SB1 Transportation Improvement Fee**

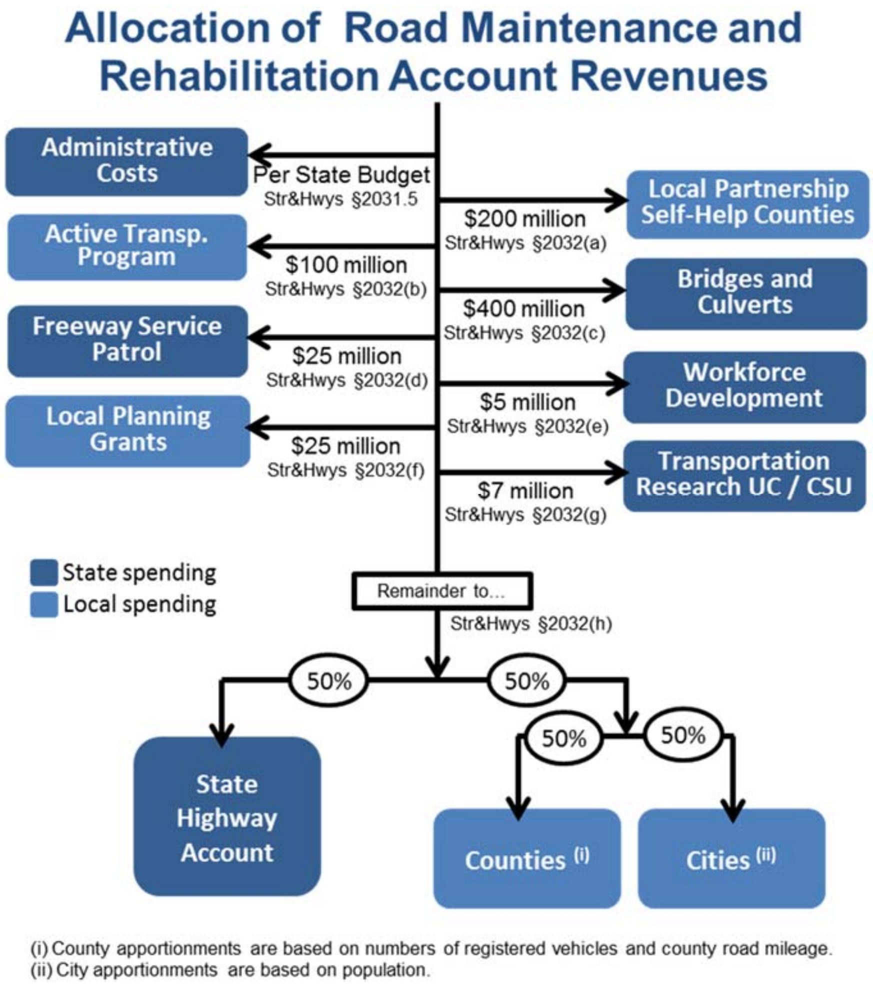
| Vehicle Value | Effective Date Jan 1, 2018 | July 1, 2020 |
|---|---|---|
| 0 - $4,999 | $ 25 | $ 27 |
| $5,000 - $24,999 | $ 52 | $ 54 |
| $25,000 - $34,999 | $ 105 | $ 107 |
| $35,000 - $59,999 | $ 157 | $ 161 |
| $60,000 & over | $ 183 | $ 188 |

[4] In addition, funds from a 4 percent increase in the diesel sales tax to 5.75 percent from the prior 1.75 percent effective November 1, 2017 are allocated to the Public Transportation Account.




The Road Repair and Accountability Act directs the State Controller to allocate, on a monthly basis, fifty percent of the revenues in the RMRA to the State Highway Operation and Protection Program (SHOP) in the State Highway Account and half to cities and counties. But there are a series of specific program allocations, subject to appropriation in the annual state budget, to be taken out first:

1. Administrative costs.
2. $200 million for the State-Local-Partnership Program for existing and aspiring self-help jurisdictions.
3. $100 million annually for the Active Transportation Program for the purpose of encouraging increased use of active modes of transportation, such as biking and walking.
4. $400 million for state bridge and culvert maintenance and rehabilitation.
5. $25 million for the state's Freeway Service Patrol program.
6. $5 million for five years through FY 2021-22 for pre-apprenticeship training programs of the California Workforce Development Board.
7. $25 million for local planning grants to encourage local and regional planning.
8. $7 million for transportation research and transportation-related workforce education, training, and development including $5 million to the University of California and $2 million to the California State University.




## Use of Funds: RMRA [Streets and Highways Code Section 2030]

The use of RMRA local streets and roads funds is similar but, not identical, to HUTA use rules. Pursuant to Streets and Highways Code Section 2030, RMRA local streets and roads allocations must be used for projects "that include, but are not limited to," the following

- Road maintenance and rehabilitation
- Safety projects
- Railroad grade separations
- Traffic control devices
- Complete street components, "including active transportation purposes, pedestrian and bicycle safety projects, transit facilities, and drainage and storm-water capture projects in conjunction with any other allowable project."

RMRA funds may also be used to satisfy a match requirement for projects eligible for state or federal funds.

SB1 also contains non-obligatory intent language regarding the use of funds. "To the extent possible and cost effective," cities and counties are to use a use:

- advanced recycling techniques that reduce greenhouse gas emissions;
- automotive technologies, ZEV fueling, infrastructure-to-vehicle;
- communications autonomous vehicle systems;

- resiliency re climate change, fires, floods, sea level rise; and
- complete street elements, access for bicycles, pedestrians.

If a city or county has an average Pavement Condition Index that meets or exceeds 80, the city or county may spend its RMRA funds on transportation priorities other than these. [Streets and Highways Code Sec 2037]

## Maintenance of Effort: RMRA [Streets and Highways Code Sec 2036]

The Road Repair and Accountability Act contains a local agency maintenance of effort (MOE) requirement that applies to funds allocated through the RMRA. The Act states that the MOE requirement is to ensure that these new roads funds do not supplant existing levels of city and county general revenue spending on streets and roads. The MOE for the receipt of RMRA funds state that a city or county must maintain general fund spending for street, road, and highway purposes at no less than average of 2009–10, 2010–11, and 2011–12 years. In making this calculation an agency may exclude one-time funds. A city or county that fails to comply in a particular year may make it up with in additional expenditures in the following year.

The Act provides that the State Controller may perform audits to ensure compliance with these MOE rules. If the State Controller determines that a city or county has not met its MOE, the agency will be required to reimburse the state for the funds it received during that fiscal year. However, a city or county that fails to comply in a particular fiscal year may expend during that fiscal year and the following fiscal year a total amount that is sufficient to comply. Any funds withheld or returned as a result of a failure to comply will be reapportioned to the other counties and cities whose expenditures are in compliance.

For further guidance, see the State Controller's "*Guidelines Relating to Gas Tax Expenditures for Cities and Counties*."

## Spending Plans and Reports: RMRA [Streets and Highways Code Sec 2034]

The Road Repair and Accountability Act stipulates that, prior to receiving RMRA funds in a fiscal year, a city or county must submit to the California Transportation Commission (CTC) a project list pursuant to an adopted budget. The list must include for each project: description, location, schedule, useful life. [Streets and Highways Code Sec 2034(a)]

The Road Repair and Accountability Act also requires that a city or county submit to the CTC an annual report of project completion in order to receive RMRA funds. The report must include descriptions of all projects for which RMRA funds were expended including: description, location, funds expended, completion date, estimated useful life of the project.

There are no additional use or reporting requirements on Highway Users Tax Account funds (Streets and Highways Code Sec 2103-2107) or on the three year transportation loan repayment funds.

## Budgeting and Accounting for RMRA Funds: The ~60 Day Delay

The allocation of Road Maintenance and Rehabilitation Account (RMRA) revenues to cities and counties takes many weeks. It takes the State Controller's Office roughly 30 to 60 days from the time of revenue collection by the state, through the various statutory set asides to distribute the funds to cities and counties in monthly allocations. Consequently, the estimates shown in this report are for revenues collected for July through June are not received on a cash basis by local agencies until September through August. That is, for example, the FY2019-20 figure for your agency is revenues collected in and for July 2019 through June 2020 but distributed in monthly allocations September 2019 through August 2020. Cities and counties thus have two choices in the budgeting and accounting of RMRA revenues:

1) apply a 60 day accrual policy to RMRA funds (*recommended*); or
2) adjust RMRA budgets (especially in FY2017-18) to reflect a distributed cash basis.

## Local Streets and Roads (HUTA and RMRA) Revenue Estimates for FY2019-20 and FY2020-21

We have computed revenue estimates for each city and county using a model reflecting the local allocation formulas, latest population figures used by the State Controller for allocations and state Department of Finance (DOF) estimates of statewide HUTA and RMRA tax revenues provided in the Governor's Revised 2020-21 Budget Proposal (released May 14, 2020) and analyses of SB1(Beall), The Road Repair and Accountability Act of 2017.

To the surprise of no one, revenues are down due to the COVID-19 pandemic. Declines in fuel consumption and vehicle sales are impacting state transportation tax revenues. The DOF estimates that current year 2019-20 and budget year 2020-21 LSR allocations to cities and counties will be down almost $500 million from previous estimates.

However, due to tax rate increases stipulated in SB1, The Road Repair and Accountability Act of 2017, total 2019-20 LSR allocations (including HUTA, TCRF, and RMRA) are still estimated to be 3.3 percent above 2018-19.[5] And although lower than January projections, 2020-21 estimated LSR allocations are projected to increase 2.7 percent over 2019-20.

### HUTA

Revenues allocated to cities and counties through HUTA under Sections 2103-2107 of the Streets and Highways Code are derived from per gallon rates. Under SB1, these rates are adjusted annually beginning July 1, 2020. Revenue changes depend on the combined effects of 1) these rate adjustments, 2) taxable gallonage, and 3) the relative change of statutory transfers including the "weight fee offset" that pays state transportation bond debt.

Statewide fuel consumption (gallons) had been relatively flat in recent years. The COVID-19 pandemic and related restrictions caused a steep decline in fuel consumption in the spring of 2020. The effects of this are expected to ease up gradually as restrictions are lifted and travel resumes. The May 2020 State Department of Finance (DOF) estimates for the old base HUTA revenues (Streets and Highways Code Sec 2104-2108) for current year FY2019-20 are 6.8 percent lower than estimates released in January with the Governor's proposed budget. The new estimates have Sec2104-2108 HUTA dropping 6.7 percent in 2019-20 from the prior 2018-19 year. However, due to the substantial July 1, 2019 rate increase in the Sec2103 rate[6] from 11.7 cents to 17.3 cents, total HUTA revenues will still grow by almost 15 percent from FY2018-19 to FY2019-20.

With a modest recovery in fuel consumption as the COVID effects begin to ease and with additional rate adjustments kicking in July 1, 2020, the new estimates total HUTA revenue growth of 7.4 percent in FY2020-21 over the 2019-20 year. This is, however, about 7 percent lower for 2020-21 than projected in January.

[5] January estimates had estimated a 13 percent increase in 2019-20 over the prior year and a 1.6 percent increase in 2020-21 over the current year.
[6] This was the variable fuel tax swap rate prior to SB1.

## RMRA[7]

The Road Repair and Accountability Act (SB1) taxes that provide funding to cities and counties through the Revenues to the Road Maintenance and Rehabilitation Account (RMRA) began on November 1, 2017 when the new per-gallon fuel excise taxes took effect. On January 1, 2018, the new vehicle registration tax, the "Transportation Improvement Fee," took effect. Cities, counties and other recipients of these revenues saw the first full year of these revenues in FY2018-19. A $100 zero emission vehicle registration tax begins on July 1, 2020.

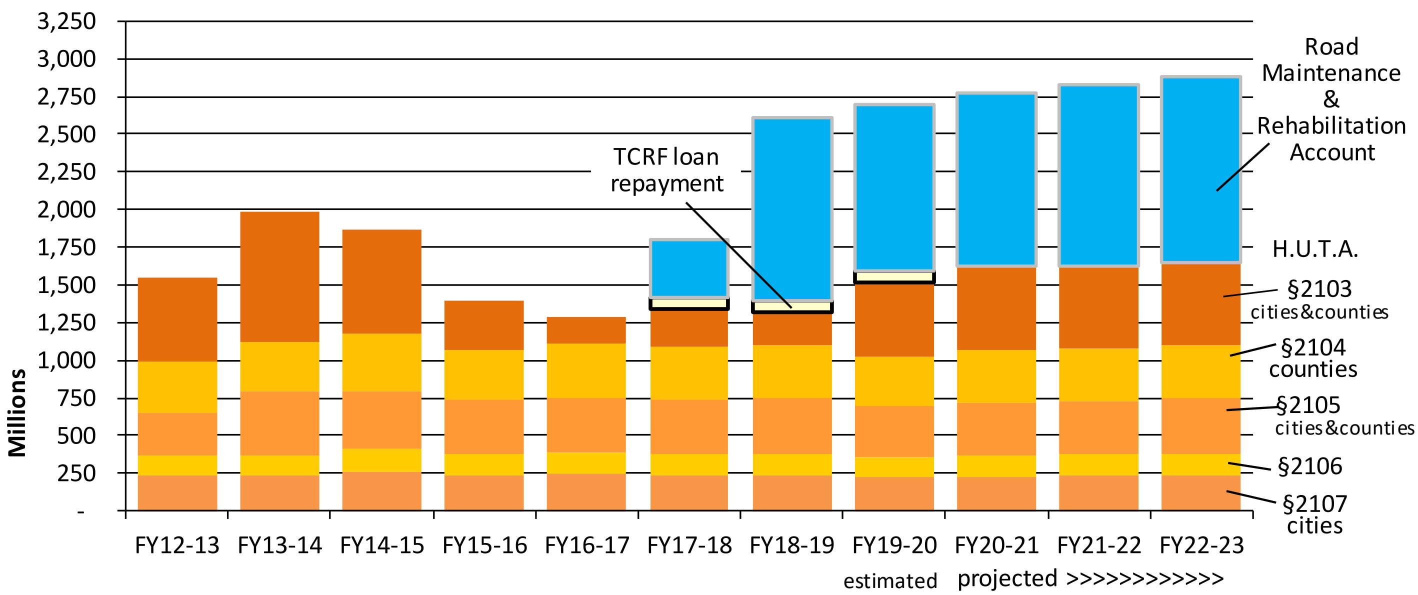
May 2020 DOF estimates of the new RMRA revenues for FY2019-20 are 9.0 *percent lower* than estimated in January. DOF estimates FY2019-20 RMRA revenues will be 8.9 percent lower than FY2018-19 actuals and that FY2020-21 revenues will recover somewhat: 3.2 percent higher than the current year.

Why does city/county RMRA growth differ from city/county HUTA growth? Under SB1, various fixed-amount statutory allocations are made from the new SB1 tax rates prior to the city and county allocations.

## Your ~~Mileage~~ *Revenues* May Vary

An individual city's allocations will of course also be affected by change in the city's population relative to the change in state population. Changes for allocations to counties will be affected other factors in the allocation rules including relative numbers of vehicle registrations, assessed values and maintained road miles.

**California Local Streets and Roads Program - State Funds to Cities and Counties**

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[7] Note that RMRA revenues are delayed 60 days from collection to allocation. That is, the revenues for a July 1 to June 30 fiscal year are allocated September 1 through August 31. These are spendable in the fiscal year because your accounting staff "accrues" them back into your fiscal year.

## Looking Ahead: Long Term Estimates of Local Streets and Roads Funding

Assuming a gradual recovery from the COVID-19 pandemic of 2020, we can expect stable, modest year over year growth in local streets and roads revenues in future years. While fuel consumption may remain flat overall, annual cost of living adjustments will help to maintain revenues.

Due to complicated statutory transfers from these revenues before the city and county allocations are made (including the $1.7 billion transfer for state transportation debt service), actual growth in funding allocated to cities and counties varies somewhat among the various categories of local streets and roads allocations and will not exactly mirror total tax collections. Taking all these factors into account, for the purposes of long-term transportation program planning, we estimate transportation allocations to cities and counties will increase in outyears at the following growth rates:

**Estimated Annual Revenue Growth Rate over prior year**

| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | Beyond |
|---|---|---|---|---|---|---|---|
| HUTA 2103 | 1.4% | 1.7% | 1.5% | 1.4% | 1.2% | 1.2% | 1.2% |
| HUTA 2104 | 1.4% | 1.7% | 1.5% | 1.4% | 1.2% | 1.2% | 1.2% |
| HUTA 2105 | 1.4% | 1.7% | 1.5% | 1.4% | 1.2% | 1.2% | 1.2% |
| HUTA 2106 county | 1.2% | 1.5% | 1.3% | 1.1% | 1.0% | 1.0% | 1.0% |
| HUTA 2106 city | 1.6% | 1.9% | 1.7% | 1.5% | 1.4% | 1.4% | 1.4% |
| HUTA 2107 | 1.5% | 1.7% | 1.5% | 1.4% | 1.2% | 1.3% | 1.2% |
| RMRA | 4.8% | 2.9% | 3.9% | 3.7% | 4.8% | 5.7% | 3.0% |

## Your ~~Mileage~~ *Revenues* May Vary

Allocations to each particular city also will be affected by annual changes in the city's population relative to the change in state population in cities. The current forecast for California population, provided by the Demographics Unit of the California Department of Finance is as follows:[8]

| California | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|
| Population | 39,952,483 | 40,295,352 | 40,639,392 | 40,980,939 | 41,321,565 | 41,659,526 | 41,994,283 | 42,326,397 |
| Population in Cities | 33,235,160 | 33,553,902 | 33,874,224 | 34,193,073 | 34,511,757 | 34,828,816 | 35,143,793 | 35,457,151 |
| percent change | | 0.96% | 0.95% | 0.94% | 0.93% | 0.92% | 0.90% | 0.89% |

| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|
| Population | 42,655,695 | 42,981,484 | 43,304,691 | 43,624,393 | 43,939,250 | 44,250,503 | 44,556,617 |
| Population in Cities | 35,768,740 | 36,077,971 | 36,385,615 | 36,690,890 | 36,992,661 | 37,291,961 | 37,587,487 |
| percent change | 0.88% | 0.86% | 0.85% | 0.84% | 0.82% | 0.81% | 0.79% |

If you think your city's population growth will be significantly different from the statewide average in cities, then you should adjust accordingly. For example, the City of Agartha's planning department estimates the city will see average annual residential population growth of 1.5 percent annually over the next ten years. The city's estimated HUTA 2105 allocation for FY2020-21 is $381,200. The long term projection of Section 2105 revenue would be:

$381,200 x Sec2105 growth x Agartha Population Growth ÷ Statewide City Population Growth

So, for 2020-21, the city would estimate $381,200 x 1.014 x 1.015 ÷ 1.0094 = $388,681

[8] See http://www.dof.ca.gov/Forecasting/Demographics/projections/

And long term …

| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|---|---|---|---|---|---|---|---|
| HUTA Sec2015 | $ 381,200 | | | | | | |
| 2105 growth | | 1.4% | 1.7% | 1.5% | 1.4% | 1.2% | 1.2% |
| Agartha pop | | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| Cities pop | | 0.94% | 0.93% | 0.92% | 0.90% | 0.89% | 0.88% |
| | HUTA Sec2015 | $ 388,681 | $ 397,521 | $ 405,803 | $ 413,931 | $ 421,431 | $ 429,109 |

Changes for allocations to counties will be affected other factors in the allocation rules including relative numbers of vehicle registrations, assessed values and maintained road miles.

mjgc

ATTACHMENTS:

A) Local Streets and Roads - Projected Individual City Revenues – FY2019-20
B) Local Streets and Roads - Projected Individual City Revenues – FY2020-21
C) Local Streets and Roads - Projected Individual County Revenues – FY2019-20
D) Local Streets and Roads - Projected Individual County Revenues – FY2020-21