



Local Highway User Tax Act (HUTA) Subventions

Current state budget deliberations include proposals ranging from reducing local government HUTA payments in FY 2009-10 to eliminating and permanently redirecting county and city HUTA funding to the state. Elimination of HUTA payments would result in a \$40 million loss of funds each year for the County of San Diego. The state budget should not suspend or divert county HUTA funding.

Background:

Counties currently receive 3.23-cents of the 18-cents gas tax, equal to approximately \$500 million annually. Current state budget deliberations include proposals that eliminate the local share of Highway User Tax Act (HUTA, also known as Gas Tax) in FY 2009-10 and FY 2010-11. This would result in a \$40 million loss of funds for County of San Diego each year.

Another proposal suggests the state should permanently redirect approximately \$1 billion in HUTA funds (the entire local share of the HUTA) on an ongoing basis to finance state general fund transportation debt service. The redirected funds would come from the portion of gas tax revenues that would otherwise be sent to counties and cities for local streets and roads.

The state can borrow HUTA funding an unlimited number of times and is allowed to do so for consecutive years. The state must pay back HUTA loans within three years, however the state is not required to repay the loans with interest. There have not been discussions regarding how the state plans to repay the HUTA loans.

Request:

Do not suspend HUTA subventions to local governments.

Fiscal Impact:

The County's Department of Public Works (DPW) uses HUTA subventions for maintaining, repairing and improving its almost 2,000 miles of County-maintained roads, bridges and over 200 signalized intersections. DPW employs 425 County employees, contracts for work from hundreds of contract employees, and utilizes HUTA to provide local matches for road projects that receive grant funding and to fund projects for which no other funding sources are available.

A full year suspension of HUTA would force the County to delay or eliminate road, bridge and traffic signal maintenance and construction projects, implement workforce reductions, and cancel numerous contractor and consultant contracts.

DPW has 43 HUTA-funded projects planned for FY 2009-10, creating at least 118 fulltime contracted jobs. A \$40 million reduction to the FY 2009-10 budget could result in the inability to meet contractual obligations, the need to issue stop work orders on construction, and could cause delay in completion of projects already in progress creating safety/traffic hazards or cancellation of priority projects.

Should the state redirect HUTA subventions for counties on an ongoing basis, or completely eliminate HUTA subventions, the County's roads will deteriorate, bridges may have to be restricted or closed, and public safety and emergency response capabilities will be directly impacted.

Statewide, suspension of HUTA will slow the construction industry to the detriment of the already troubled economy and cause unchecked road condition deterioration and future increases in maintenance efforts and costs. It is important to maintain those programs that have a positive impact throughout the state such as the HUTA Program.