



SACRAMENTO UPDATE

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Gas- Tax Swap Approved

The Legislature on Thursday passed to the Governor the complicated "gas-tax swap" that will change how gasoline is taxed at the pump without changing the total amount of tax to be collected. Under the plan, the existing sales tax on gasoline would be eliminated entirely and immediately replaced with a per-gallon excise-tax at the same level. The "swap" eliminates current protected restrictions for how gas-taxes must be spent, providing the legislature the ability to free-up over \$1 billion for use to par down the state's estimated \$20-billion deficit. Under the plan, funding for mass transit would be substantially reduced this year. The legislature estimates this plan will save the state an estimated \$1.1 billion through June 2011.

The reason for doing the "swap" can be explained this way: The legislature eliminates voter-approved Proposition 42, which requires that public transit receive 20% of all gas sales-tax proceeds. After the tax swap from the sales-tax to the excise-tax, that requirement disappears, allowing for the reduction of transit funding. To ensure some money for transit, the sales tax on diesel fuel was left alone and dedicated to mass transit.

All said, the price at the pump remains the same for drivers, mass-transit funding is reduced and the state finds a way to reduce some of the deficit.

Perez Sworn-In as Speaker

John Perez (D- Los Angeles) was sworn in as Assembly Speaker on Monday. Perez was elected earlier in the year by his colleagues.

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