



Assembly Transportation Hearing The Basics of Transportation Funding

Gas Tax Past to Present

Division of
Budgets

February 23, 2015

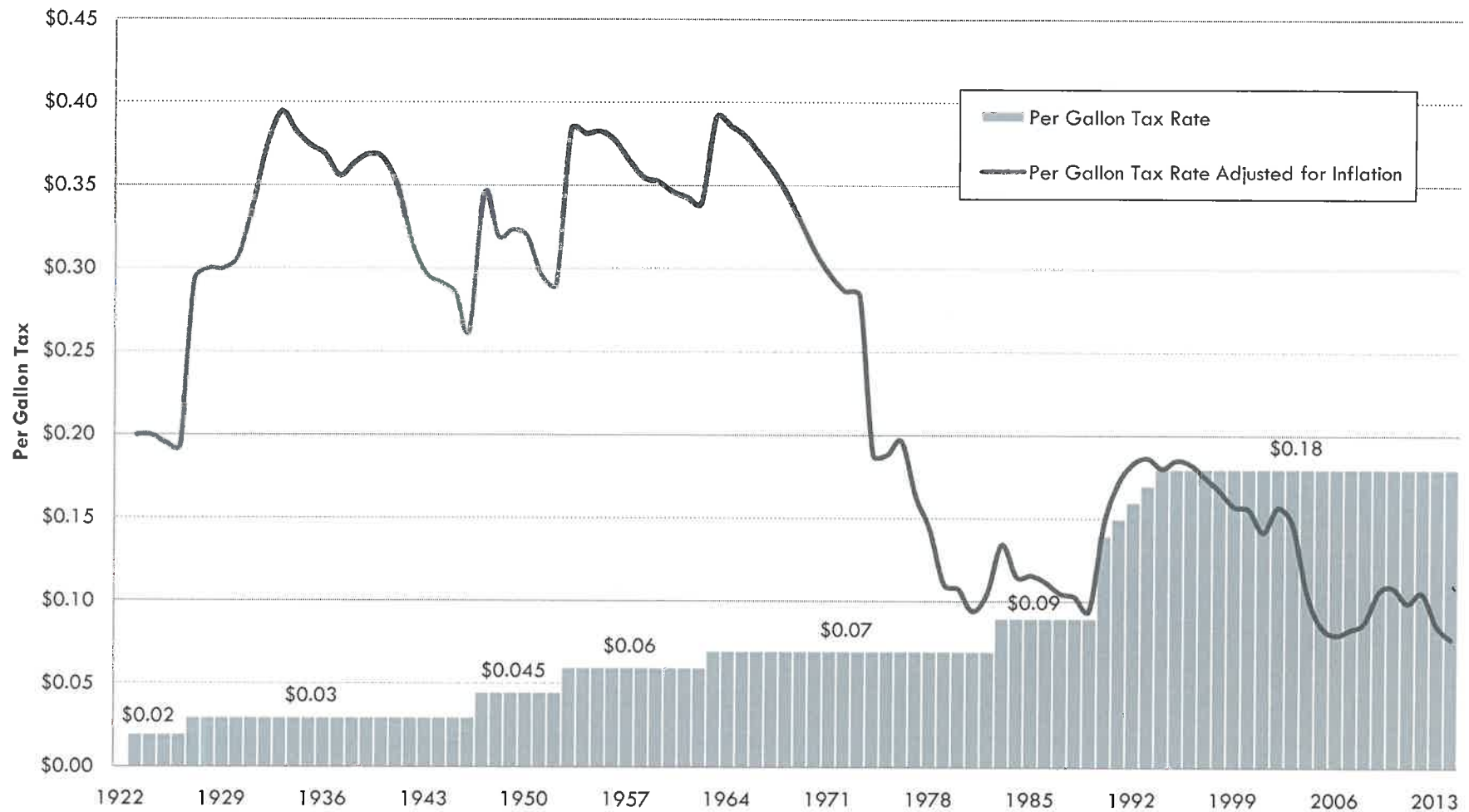
Fuel Excise Taxes

- An Excise Tax is a tax levied on a unit of sale, not on the value of the sale
- Gasoline
 - Federal Excise Tax – 18.4 cents per gallon (cpg)
 - State Base Excise Tax – 18 cpg
 - State Price-Based Excise Tax – 18 cpg (2014-15)
 - Adjusted annually for revenue neutrality with sales tax it replaced
- Diesel
 - Federal Excise Tax – 24 cpg
 - State Base Excise Tax – 11 cpg (2014-15)
 - Adjusted annually to maintain revenue neutrality in combination with sales tax

Base Excise Tax Facts

YEAR	EVENT	GAS TAX RATE
1923	First gas tax approved by voters.	2¢/gal
1927	1¢ tax added for new highway construction.	3¢/gal
1947	Collier-Burns Act – gas tax increased 1.5¢.	4.5¢/gal
1953	Gas tax increased by 1.5¢ to fund highway improvements.	6¢/gal
1963	The legislature increased gas tax by 1¢.	7¢/gal
1983	Gas tax increased by 2¢ for the first time in just over 19 years.	9¢/gal
1990	Proposition 111 passed. The gas tax increased to 14¢ with a yearly increase of 1¢ per year for four more years, through 1994.	14¢/gal
1991	Gas tax increased by 1¢ per Proposition 111.	15¢/gal
1992	Gas tax increased by 1¢ per Proposition 111.	16¢/gal
1993	Gas tax increased by 1¢ per Proposition 111.	17¢/gal
1994	The last time the gas tax was increased.	18¢/gal

History of the Base Gasoline Excise Tax Rate

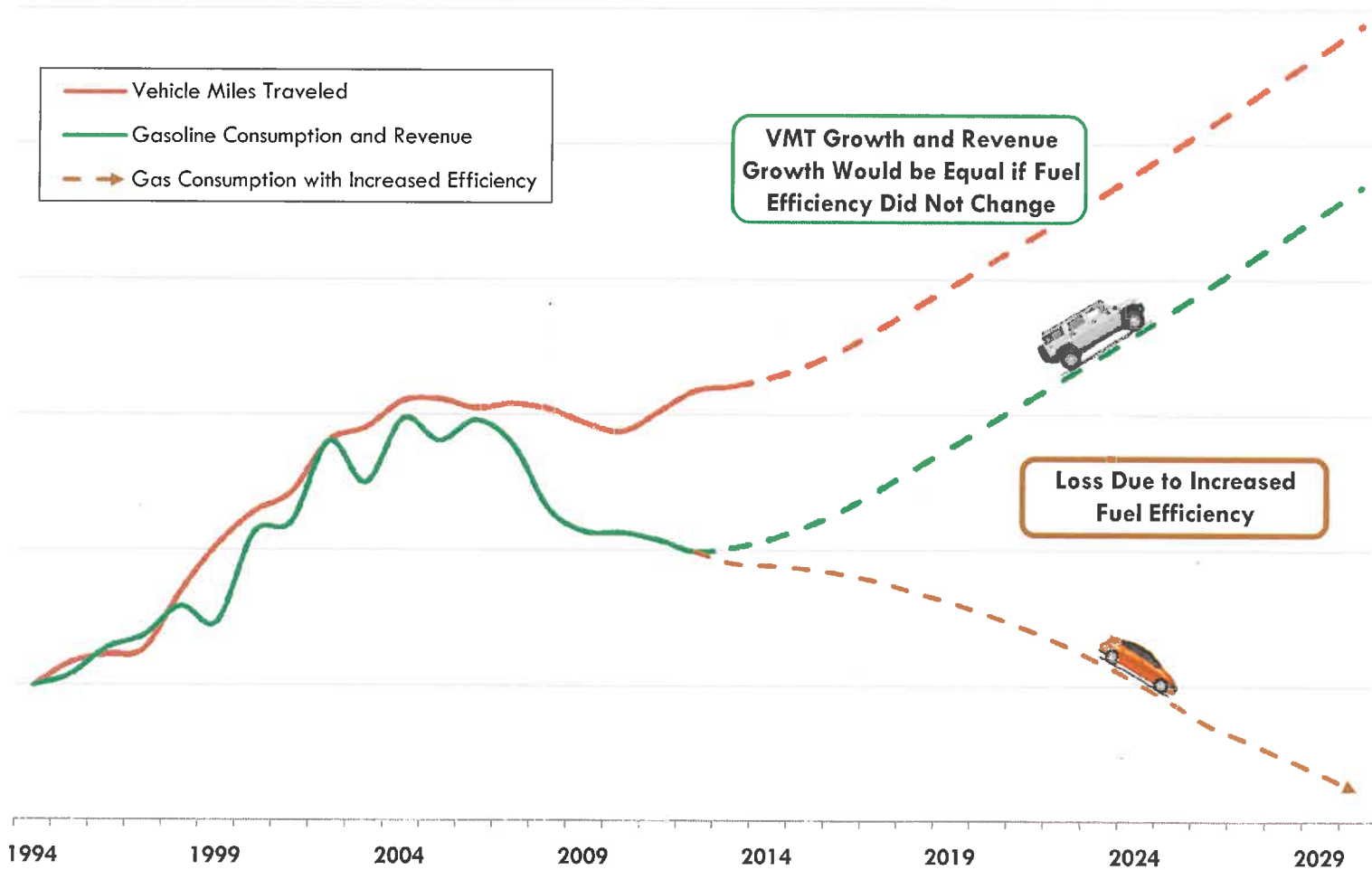


Sources: Tax Rates: Board of Equalization. Escalation based on California State Highway Construction Cost Index and Consumer Price Index

Escalation and the Cost of Delay

- Over the last five to eight years, significant investments in transportation have come from Proposition 1B and the American Recovery and Rehabilitation Act
- During the economic downturn in 2008 and ensuing years, project bid savings allowed the department to reinvest almost \$1.7 billion in savings back into new projects
- With the economy back on solid ground and growing again, the cost of the unfunded backlog of projects could grow by 20 percent or more over the next five years

Revenue Loss Due to Increases in Fuel Economy



Includes base excise tax only

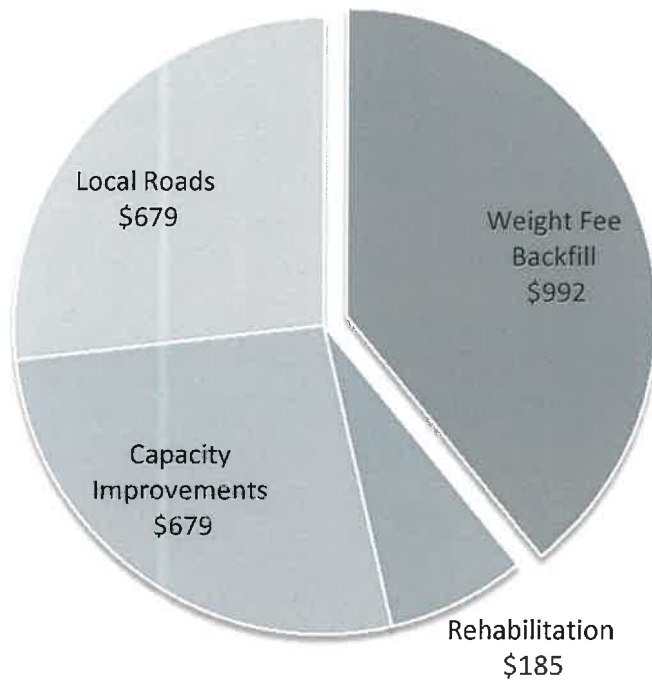
Interaction of the Price-Based Excise Tax and the Weight Fee Swap

- The Fuel Tax Swap of 2010 eliminated general sales tax on gasoline and created a PRICE-BASED EXCISE TAX
 - Revenue neutral, determined annually by March 1, and is effective July 1 through June 30 of the following year
 - When gas prices go down, so does the revenue stream
- The WEIGHT FEE SWAP uses commercial vehicle registration fees (weight fees) for debt service on transportation bonds
 - Recovered “off-the-top” of the Price-based excise tax collections
 - Remaining is split 44% to Local Roads, 44% to State and Local Capacity Improvements, and 12% to Rehabilitation of the State Highway System
 - Impact of lower revenue focused here

Price-Based Excise Tax Comparison

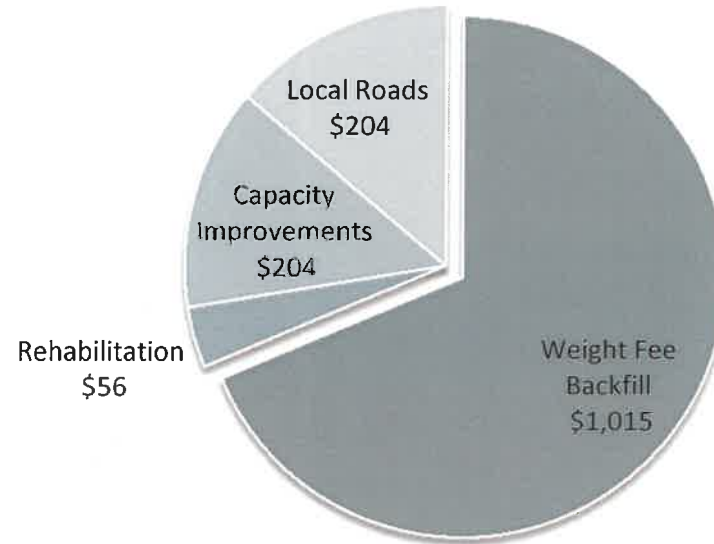
Based on Board of Equalization Estimate for 2015-16

2014-15
Distribution



\$2.5 Billion
Rate: 18.0 cpg

2015-16
Distribution



\$1.5 Billion
Rate: 10.5 cpg

