

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: January 29, 2014

Reference No.: 4.18
Information Item

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Acting Chief Financial Officer

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Budgets

Subject: **STATUS OF FUEL TAXES IN CALIFORNIA**

The California Department of Transportation's (Department) Chief Financial Officer will be giving a presentation as to the status and history of fuel taxes in California, including the loss of buying power due to inflation.

BACKGROUND:

Over the last 20 years, there have been numerous changes to the way California funds the construction and maintenance of the State Highway System. Revenue from the sale of fuel has always been a large component of the funding stream. The Department will present a history and status of the excise tax related to the sale of fuel.



Status of Fuel Taxes in California

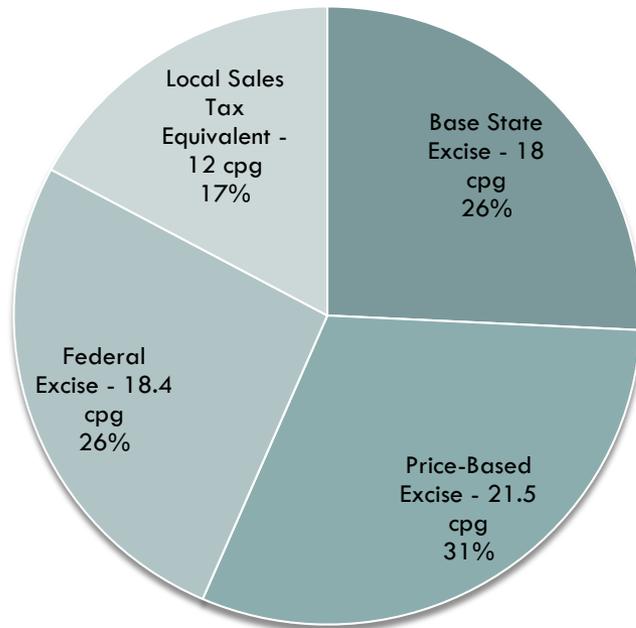
Presented to the
California Transportation Commission

Base Excise Tax Facts

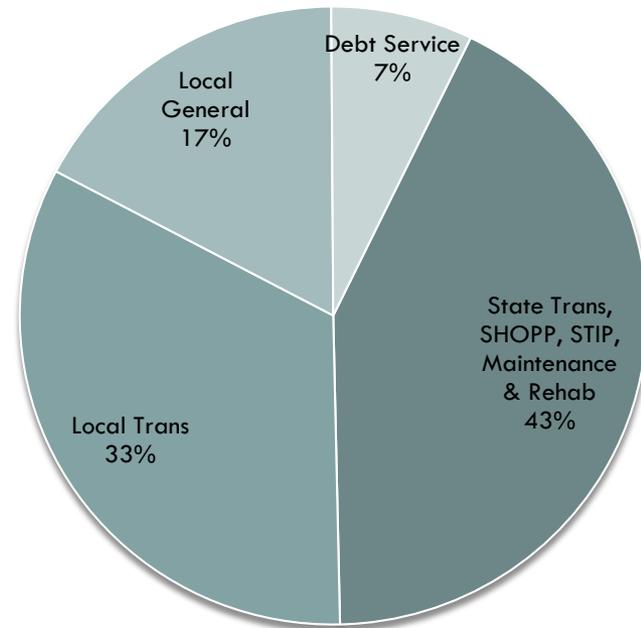
YEAR	EVENT	GAS TAX RATE
1923	First gas tax approved by voters.	2¢/gal
1927	1¢ tax added for new highway construction.	3¢/gal
1947	Collier-Burns Act – gas tax increased 1.5¢.	4.5¢/gal
1953	Gas tax increased by 1.5¢ to fund highway improvements.	6¢/gal
1963	The legislature increased gas tax by 1¢.	7¢/gal
1983	Gas tax increased by 2¢ for the first time in 20 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.	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

Sources and Uses of Fuel Taxes on Gasoline in California

Components of Tax on Gasoline
Up to 69.9 cpg



Uses of Tax Collected on Gasoline
Up to 69.9 cpg



Notes:
Assumes 3.5 cpg increase in price-based tax, per BOE, July 1, 2013
Assumes average 3% local sales tax rate

Average Annual Cost of Select Items



Cable
\$1,032



Cell Phone
\$852



Coffee Habit
\$780

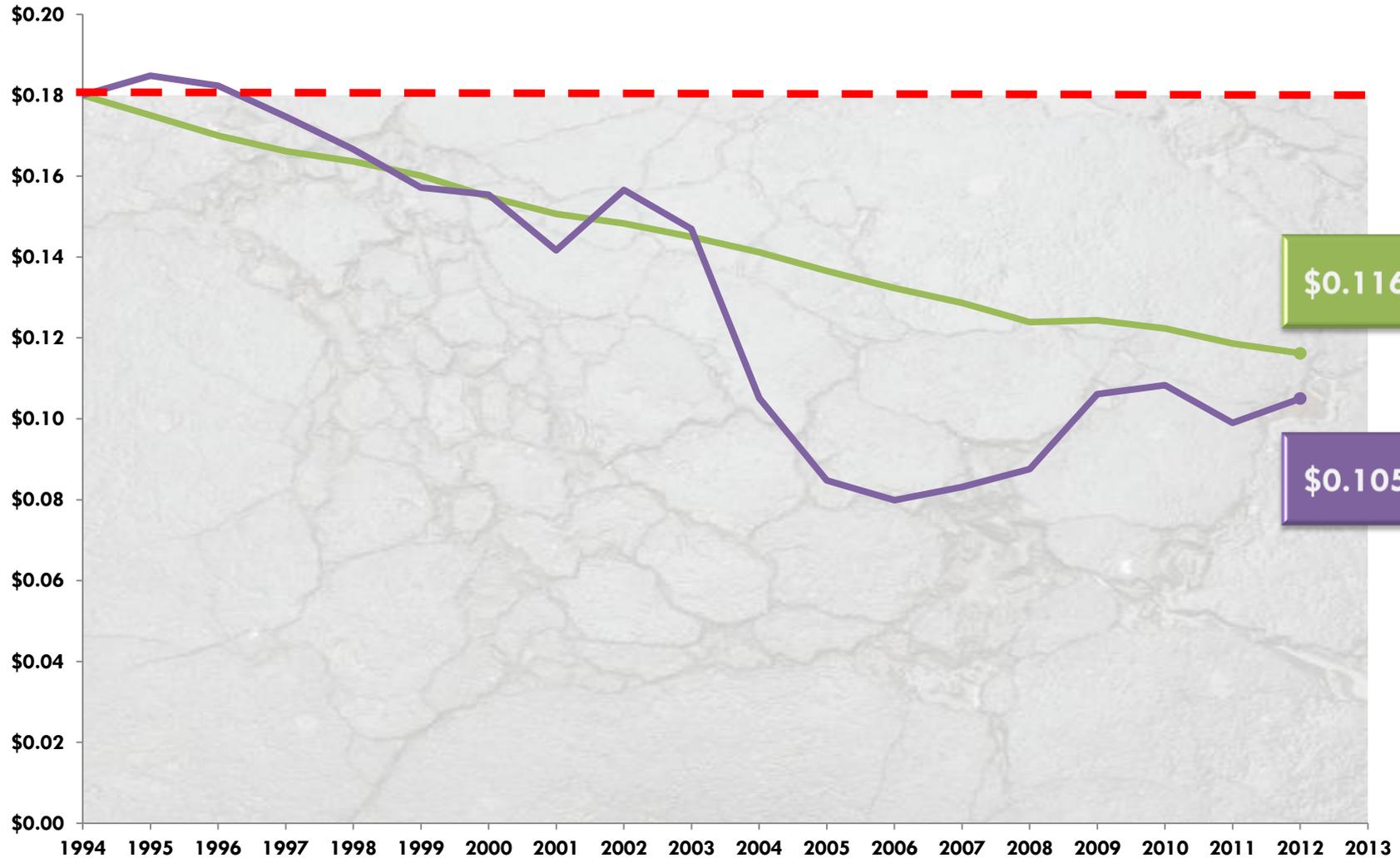


Internet
\$540

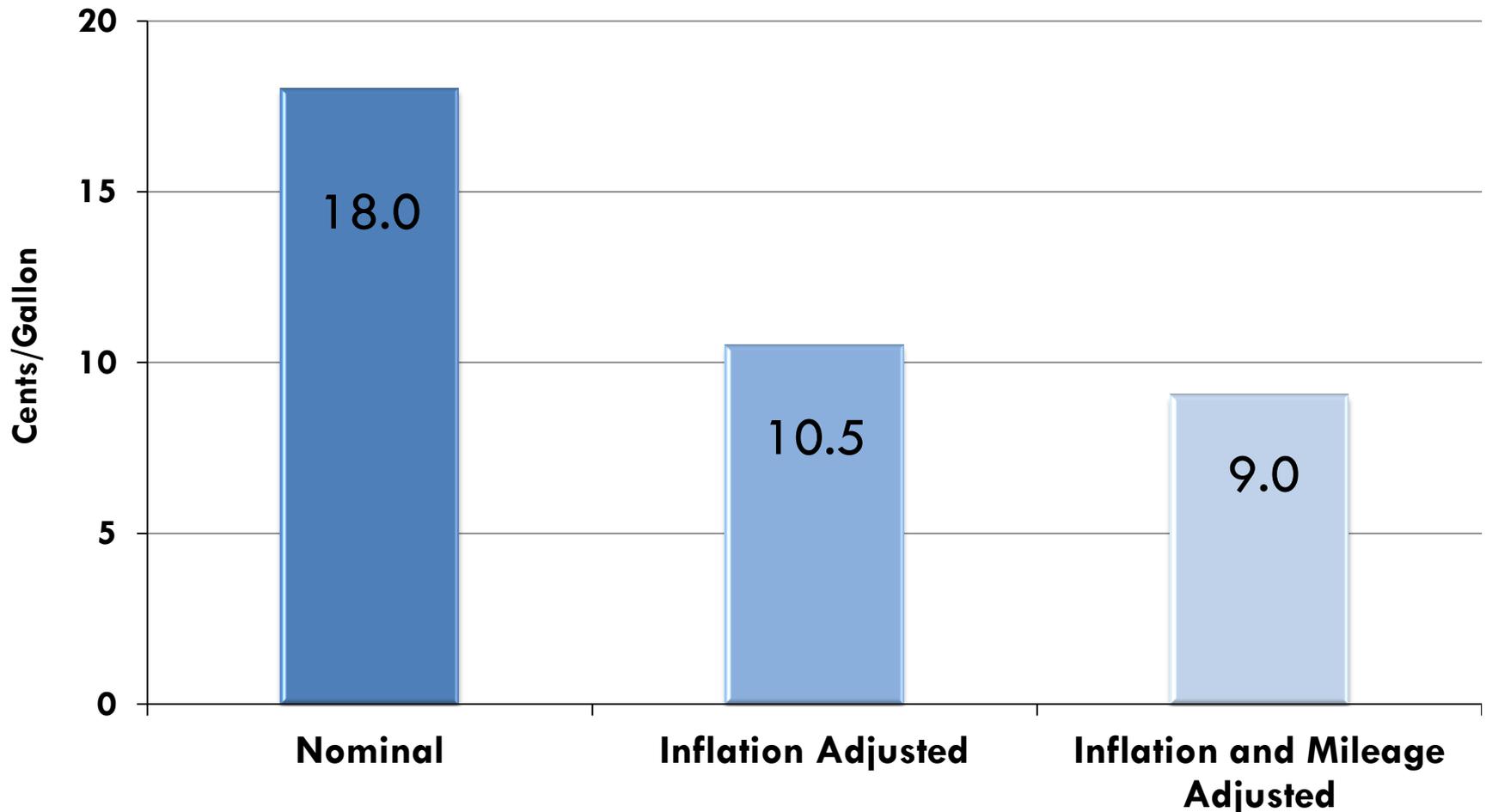


Gas Taxes
\$368

20-Year History of Base Excise Tax (Inflation Adjusted)



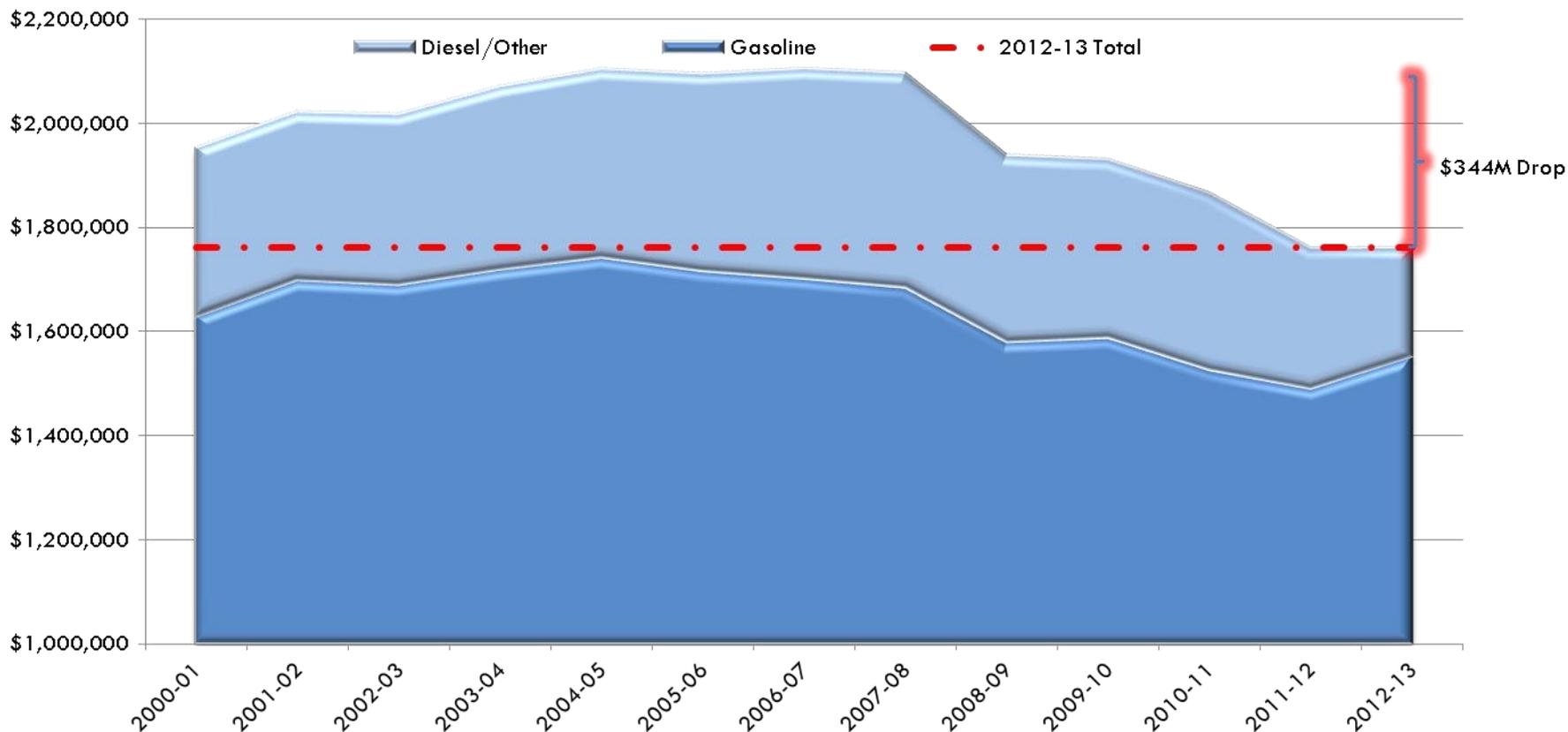
What is the 18-cent Gas Tax Worth Today?



Annual Base Excise Tax Revenues

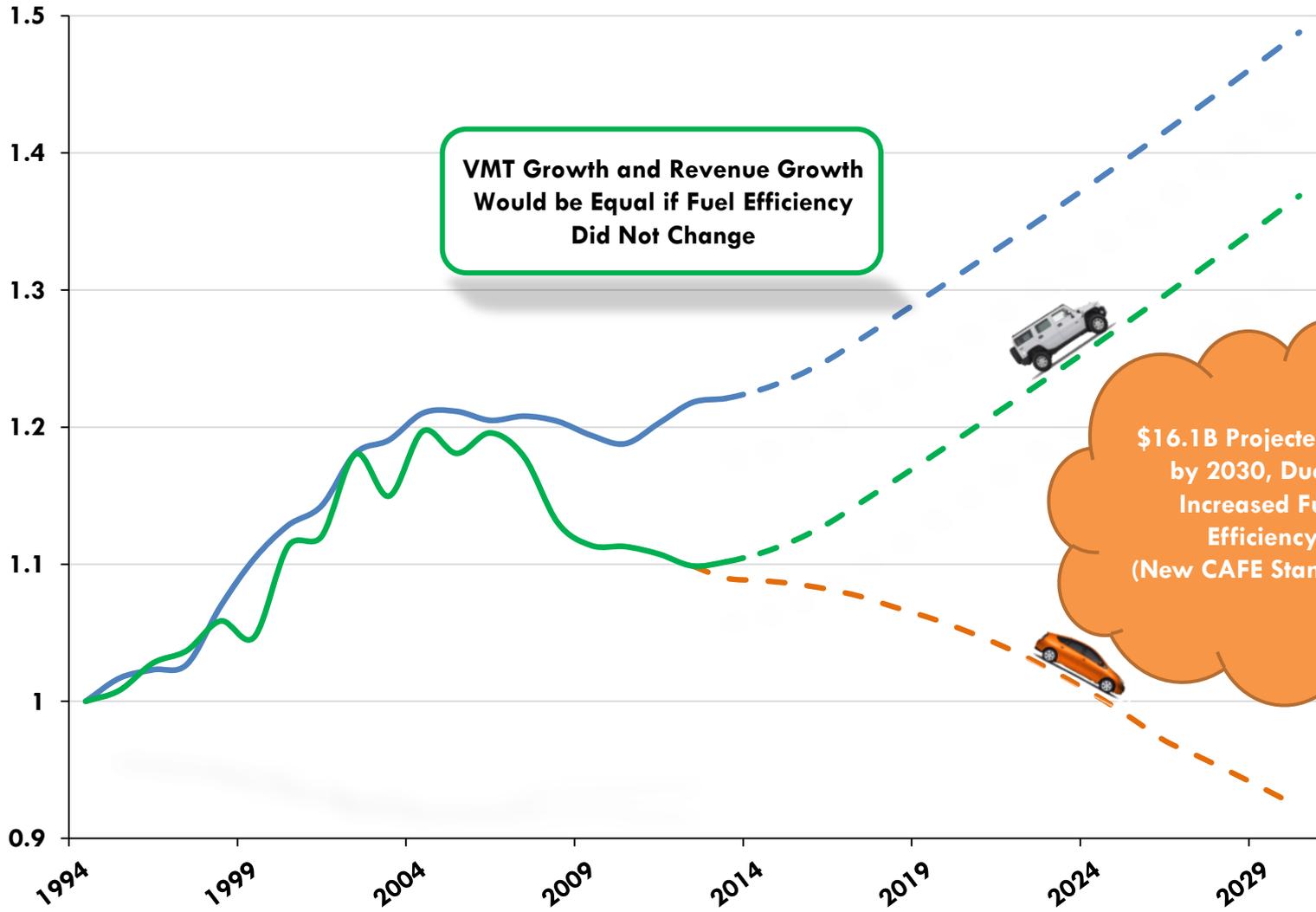
\$344 Million Below Peak in 2006-07

Base Fuel Excise Tax History – Deposits to State Highway Account
(Dollars in Thousands)



- From peak in 2006-07, Fuel Tax revenues have declined to levels not seen since 1996-97.
- The most drastic drop can be seen in 2008-09, concurrent with the beginning of the current economic crisis.
- Air Quality / CAFE standards will continue to exert downward pressure on fuel consumption.

Effect of Fuel Economy



VMT Growth and Revenue Growth
Would be Equal if Fuel Efficiency
Did Not Change

\$16.1B Projected Loss
by 2030, Due to
Increased Fuel
Efficiency
(New CAFE Standards)

Conclusion

