

Hi, this is Chris Micheli with the Sacramento governmental relations firm of Aprea and Micheli, and an Adjunct Professor at McGeorge School of Law in its Capital Lawyering Program. Today's podcast is on a recent development. Our state gas taxes are on their way up.

You may be aware that in the state of California, there's a variety of sources of funding for transportation purposes, including funding for our state highway system and our local streets and roads system. These funding sources include fuel excise taxes, commercial vehicle weight fees, local sales and transaction taxes, and federal funds.

Pursuant to SB-1, on November 1st, there was an increase of 12 cents per gallon in the motor vehicle fuel, or gas tax, that includes an inflation adjustment, which thereby increases the base excise tax to 30 cents a gallon. Also, there's an increase on November 1st of 20 cents a gallon on the diesel excise tax. By the way, the diesel excise tax is currently 16 cents per gallon. So on November 1st, it was increased to 36 cents a gallon. This also has an inflation adjustment factor.

In addition, there is a new transportation improvement fee imposed upon the vehicle license fee that varies between \$25 and \$175, each year, based upon a vehicle's value. This, too, has an inflation adjustment. This new fee takes effect on January 1st, 2018.

Senate Bill 1 also imposes a new \$100 annual vehicle registration fee that applies to so-called zero emission vehicles with a model year of 2020 and later. This fee takes effect on July 1, 2020. All of these tax and fee increases that I've mentioned are permanent. How does this additional revenue get spent?

Under SB-1, there's an annual set-aside of \$200 million in funding for road maintenance and rehabilitation purposes in counties that have sought and received voter approval of taxes or that have imposed fees that are dedicated solely to transportation improvements. There's also another \$100 million that will be available annually for the Active Transportation Program.

In addition, \$400 million will be available annually for state highway, bridge, and culvert maintenance and rehabilitation. \$25 million will be made available annually for the Freeway Service Patrol program. Another \$25 million will be spent for local planning grants. Some of the funds raised by SB-1 will be used to repay outstanding loans from certain transportation funds. This amounts to about \$706 million.

Note that half of that diesel fuel excise tax, which is now 36 cents a gallon, half of those revenues will be placed in the Trade Corridor Enhancement Account for corridor-based freight projects that have been nominated by local agencies and the state of California.

The gas excise tax revenues that are attributable to boats and off-highway vehicles, from that 12 cents per gallon increase, are going to be transferred to the State Parks and Recreation Fund, so that those revenues will be used for state parks, off-highway vehicle programs, and boating programs.

Finally, SB-1 increases the sales and use tax rate on diesel fuel by an additional four percent. That was also done, effective November 1st, 2017. As a result, the bill continuously appropriates the revenues that are attributable to 3.5 percent of that rate increase for allocation to transportation agencies for public transit purposes, under California's STA, or State Transit Assistance program.

The bill also requires that the revenues that are attributable to the remaining half percent rate increase to be continuously appropriated to the state transportation agency for intercity rail and commuter rail purposes.

As you can well imagine, the gas tax increase was very controversial. There was only one Republican legislator in the two houses who actually voted for it, Senator Anthony Cannella from the Central Valley. All other Republicans voted no.

Two Democrats, Senator Steve Glazer in the Senate and Assemblyman Rudy Salas in the Assembly voted against those increases in the motor-vehicle gas tax as well as the diesel excise tax. Nonetheless, those revenues are being spent on important, deferred maintenance and other such uses.

Thanks for joining this podcast. Hope you better appreciate this increase in the gas tax, and where those funds are being spent.