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Research Results

Impacts of Future of the California Fuel Tax Swap of 2010

A report of causes, effects, and projections of the 2010 Fuel Tax Swap in California

Executive

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Project Title:
Impacts of Future of the California Fuel Tax Swap of 2010

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Task Manager:
Scott Williams
Associate Transportation Planner
K.Scott.Williams@dot.ca.gov

WHAT IS THE NEED?

As state and federal fuel tax revenues for transportation continue to decline in real dollar terms, financial responsibility has increasingly shifted to local governments. In California, 19 "self-help" counties have Local Option Sales Taxes (LOSTs) to fund transportation projects. While both fuel and sales taxes are considered "regressive" because lower income households tend to pay larger shares of their incomes on such taxes than higher income households, sales tax finance for transportation also means that light users of transportation systems tend to pay more per mile travelled than do heavy users of the system.

But ultimately the regressivity of LOSTs depends not only on who pays them, but also on how the revenues are spent. When funds go to projects and services that benefit lower income households, LOSTs effectively become more progressive. Accordingly, this research analyzed both the collection of revenues by LOSTs in California and the expenditure of funds that determine how they affect low-income and minority travelers and communities. We also examined the processes by which the LOST expenditure plans were developed to analyze whether low income and minority groups participated in the formulation of the measures and low income and minority households voted for them.

WHAT WAS OUR GOAL?

To assess the equity of Local Option Transportation Sales Taxes in California, one of the state's principal sources of transportation finance revenue.

Tasks:

1. Review and synthesize the research literature on

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transportation sales taxes, income incidence, and measures of effective regressivity;
2. Assess the income incidence and measure the regressivity of California transportation sales tax revenue collections in counties that have voter approved transportation sales taxes;
3. Analyze voting patterns to assess the extent to which county transportation sales tax measures were supported by populations of different income, racial, and ethnic compositions;
4. For a representative sample of at least three, but no more than six counties (rural, suburban, and urban) review in detail the expenditure plans to determine the extent to which projects were expected to benefit low income and minority populations; and to the extent possible estimate whether actual beneficiaries of implemented projects conform to those plans;
5. For that same representative sample of three to six counties, review documents related to the preparation of the expenditure plans put before the voters and conduct interviews with key players involved in putting each of the measures onto the ballot to determine the extent to which low income and minority group members and interests were included in the planning process; and
6. Develop findings and recommendations based on Tasks 1 through 5 above and prepare a draft final report.

WHAT DID WE DO?

Documented and analyzed the recent change in California transportation revenue collection programs that discontinued the state sales tax on motor fuels and increased the state per gallon excise taxes on motor fuels.

An academic literature review was not required for this study. It was already known that the specific topic of the study was nearly absent from the literature, and the Principal Investigator has published and prepared several reviews of the transportation finance and revenue literature more generally.

WHAT WAS THE OUTCOME?

The research revealed an important information in three areas:
1. The causes, context, and legislative history leading to the gas tax swap and its purposes, terms and conditions in simple accessible language, (insofar as doing that is possible), making it accessible to the larger scholarly community and the mass media;
2. The impacts of the gas tax swap on California transportation revenue and finance since its implementation and accessing the extent to which the changes that have occurred are consistent with or differ from what was anticipated by those who framed the program;
3. The likely impacts on revenue and transportation finance that will result from the gas tax swap in the coming five years.

WHAT IS THE BENEFIT?

TImprove public awareness of the equitability of California transportation financing and contribute to improving the mobility of low income and minority populations of the state.

In effect, the fuel tax swap allowed a portion of the state debt incurred for transportation programs to be placed “off-budget” and paid from fuel-based revenues that would otherwise have gone to current transportation planning and mass transportation projects, thus freeing general funds for other non-transportation purposes.

Legislative Analyst’s Office, Department of Finance, and Caltrans staff agree: revenue

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streams under the Gas Tax Swap are impossible to predict accurately. Under the variable excise tax, it is difficult to predict revenues for the following year, let alone five or ten years in the future. As a result, volatile transportation revenues have exacerbated difficulties planning continuity in transportation programs around the state, which are typically multi-year programs that rely on steady and predictable funding streams.
intersections with volume predictions

LEARN MORE

http://www.its.ucla.edu/publication/the-california-fuel-tax-swap/

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