Overview of
State Transportation Funding

LEGISLATIVE ANALYST’S OFFICE

Presented to:
Senate Transportation and Housing Committee
Hon. Jim Beall, Chair
In 2016-17, we estimate that $28 billion in transportation revenues will be provided from all levels of government.

Local governments provide more than half of all transportation funding in California. Local transportation funding sources include local sales taxes, transit fares, development impact fees, and property taxes.

About one-fifth of the state’s transportation funding comes from the federal government, supported primarily by federal excise taxes on gasoline and diesel.

The remainder of transportation funding comes from a variety of state revenue sources—primarily excise taxes on gasoline and diesel.
Gasoline Excise Taxes: Revenues

- **State Base Excise Tax Revenue**
  - The state collects a base excise tax of 18 cents per gallon of gasoline. In 2016-17, this tax is estimated to generate about $2.6 billion.

- **State Variable Excise Tax**
  - The state also collects a variable excise tax on gasoline, which is set annually by the Board of Equalization (BOE). The BOE sets the rate considering both gasoline price and quantity sold in an effort to mimic a sales tax. The BOE has set this rate at 9.8 cents per gallon in 2016-17, which is estimated to generate about $1.4 billion.

Figure does not include other statewide and local sales taxes.
Gasoline Excise Taxes: Uses

☑️ State Base Excise Tax Uses (18 cents)
  - Two-thirds of this revenue is deposited into the State Highway Account (SHA), amounting to about $1.7 billion in 2016-17. The SHA funds the Highway Maintenance Program, State Highway Operation and Protection Program (SHOPP), and California Department of Transportation (Caltrans) administration.
  - One-third is allocated to cities and counties for local streets and roads, amounting to about $900 million in 2016-17.

☑️ State Variable Excise Tax Uses (9.8 Cents)
  - The first roughly $1 billion of this is deposited into the SHA to backfill the loss of weight fee revenue, as discussed later. Of the remaining revenue, 44 percent is allocated for local streets and roads, 44 percent for the State Transportation Improvement Program, and 12 percent for SHOPP, as shown in the figure below.

![Diagram of Variable Gasoline Tax Excise]

STIP = State Transportation Improvement Program; and SHOPP = State Highway Operation and Protection Program.
State Diesel Excise Tax Revenue
- The state collects a variable excise tax on diesel, the rate for which is set annually by BOE. The BOE has set this rate at 16 cents per gallon in 2016-17, which is estimated to generate about $500 million.

State Diesel Base Sales Tax Revenue
- The state collects a base sales tax of 4.75 percent on diesel fuel for transportation. In 2016-17, this is estimated to generate about $300 million.
State Diesel “Swap” Sales Tax Revenue

- The state also collects a 1.75 percent sales tax on diesel that was established in the “fuel tax swap”—legislation that changed the way the state taxes fuel. In 2016-17, this is estimated to generate about $110 million.
Diesel Taxes: Uses

☑ State Diesel Excise Tax (16 Cents)
  ■ Revenue generated from 6 cents of this tax is allocated to cities and counties for local streets and roads. The remainder of the revenue is deposited into the SHA to fund the Highway Maintenance Program, SHOPP, and Caltrans administration.

☑ State Diesel Base Sales Tax (4.75 Percent)
  ■ Half of this revenue is allocated to the State Transit Assistance (STA) program, which provides funding for local mass transportation. The other half is used to fund state-supported intercity rail and other state mass transportation programs.

☑ State Diesel Swap Sales Tax (1.75 Percent)
  ■ All of the revenue from this tax is allocated to the STA.
Weight Fees

Weight Fee Revenues
- Weight fees are registration fees charged to vehicles that carry heavy loads on the state’s roadways, such as commercial trucks. Weight fees generate about $1 billion annually.

Weight Fee Uses
- In addition to ongoing revenues, the state has issued general obligations bonds in order to pay for transportation projects. The debt service costs of outstanding transportation bonds is estimated to be about $1.5 billion in 2016-17.
- Since 2011, vehicle weight fees have been used to offset a portion of the debt service costs on transportation bonds, rather than fully paying these costs from the General Fund. The 2016-17 budget uses about $1 billion in weight fees to...
pay debt service on transportation bonds, with the remainder of the costs paid from certain miscellaneous revenues and the General Fund.

- In years when weight fee revenues exceed the amount necessary to pay eligible transportation debt service costs, the remaining revenues are loaned to the General Fund. In years when eligible debt service exceeds weight fee revenues, these loans will be repaid and used to offset the higher debt service costs.