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LEGISLATIVE COUNSEL'S DIGEST

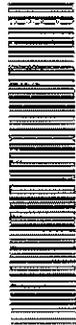
Bill No.

as introduced, _____.

General Subject: Fuel taxes.

The Motor Vehicle Fuel Tax Law imposes a tax of \$0.18 per gallon on motor vehicle fuel, commonly referred to as gasoline. The Diesel Fuel Tax Law imposes a tax of \$0.18 per gallon on diesel fuel. These revenues, after certain deductions for nonhighway fuel uses, are deposited in the Highway Users Tax Account. Approximately $\frac{1}{3}$ of the revenues in the account are apportioned by various formulas to cities and counties, and most of the remaining revenues are deposited in the State Highway Account. Article XIX of the California Constitution restricts the use of fuel tax revenues from highway fuel used in motor vehicles upon public streets and highways to specified transportation purposes.

This bill, commencing July 1, 2010, would impose an additional tax on gasoline and diesel fuel of \$0.18 per gallon, which would be adjusted annually each January 1



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by the State Board of Equalization based on the increase, if any, in the All-Urban Consumer Price Index for the most recent 12-month period for which data is available. In addition, the board would be required to increase the fuel tax rate by an additional \$0.07 per gallon each January 1 for the period between January 1, 2011, and January 1, 2020. After deducting revenues attributable to nonhighway fuel uses, which would be used for purposes related to those nonhighway uses, the remaining revenues would be deposited in the Transportation Revenue Account, which the bill would create, and would be continuously appropriated for certain purposes. The moneys in the Transportation Revenue Account would first be used for payment of current fiscal year debt service on general obligation bonds issued by the state for transportation purposes. Of the remaining moneys, 20%, would be paid to the Strategic Growth Council and other eligible entities for the planning and implementation of projects consistent with the policies of Chapter 728 of the Statutes of 2008, providing the planning and projects are consistent with Article XIX of the California Constitution. Thereafter, 50% of the remaining moneys would be apportioned to cities, counties, and cities and counties pursuant to specified formulas for street and road maintenance and repair purposes and for mass transportation purposes consistent with Article XIX of the California Constitution, and the other 50% of the remaining moneys would be transferred to the State Highway Account to be used for eligible projects in the State Highway Operation and Protection Program and for mass transportation projects consistent with Article XIX of the California Constitution. The bill would delete provisions relating to increases in state fuel taxes if the federal government reduces federal fuel taxes.



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This bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

The bill would also require the Controller to transfer a specified amount from the General Fund each year to the newly created Fuel Tax Rebate Subaccount in the Transportation Revenue Account. The amount to be transferred would be computed by the Controller based on 35% of the amount made available from the new fuel tax revenues for transportation general obligation bond debt service. The money in the subaccount would be continuously appropriated to the Franchise Tax Board to make payments under a personal income tax rebate program to be established by the Legislature to offset, in part, the higher fuel taxes imposed by the bill.

The bill would also make legislative findings and declarations.

Vote: 2/3. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.



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An act to amend Sections 7360, 8353, 60050, 60652, and 60653 of the Revenue and Taxation Code, and to add Chapter 3.5 (commencing with Section 2140) to Division 3 of the Streets and Highways Code, relating to fuel, and making an appropriation therefor.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) It is in the public interest to encourage energy conservation through the use of fuel-efficient motor vehicles or reduced use of motor vehicles using gasoline or diesel fuel. It is well established that higher gasoline or diesel fuel prices, real or perceived, encourage energy conservation, the development of a more fuel-efficient motor vehicle fleet, and the use of alternative modes of transportation.

(b) It is the intent of the Legislature to encourage energy conservation, reduce petroleum consumption, reduce greenhouse gas emissions, make investments in important transportation infrastructure to reduce vehicle miles traveled, and maintain the existing transportation system.

SEC. 2. Section 7360 of the Revenue and Taxation Code is amended to read:

7360. (a) A tax of eighteen cents (\$0.18) is hereby imposed upon each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364.

~~(b) If the federal fuel tax is reduced below the rate of nine cents (\$0.09) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by this section, on and after the date of the reduction, shall be recalculated by an amount so that the combined state and federal tax rate per gallon equals twenty-seven cents (\$0.27).~~

~~(c) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be so exempt under this section.~~



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(b) (1) An additional tax of eighteen cents (\$0.18) is hereby initially imposed upon each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364, commencing July 1, 2010.

(2) The State Board of Equalization shall adjust the amount of the tax imposed under this subdivision on January 1 of each year commencing January 1, 2011, based on the increase, if any, in the All-Urban Consumer Price Index prepared by the Department of Industrial Relations for the most recent 12-month period for which data is available.

(3) In addition, for each year beginning January 1, 2011, and ending on January 1, 2020, the State Board of Equalization shall further increase the rate of the tax imposed under this subdivision by seven cents (\$0.07) per gallon.

SEC. 3. Section 8353 of the Revenue and Taxation Code is amended to read:

8353. By (a) Except as otherwise provided in subdivision (b), by the 28th day of each calendar month, the balance remaining to the credit of the Motor Vehicle Fuel Account at the close of business on the 23rd day of the same month, after payments of refunds and administration and enforcement, as provided for in Section 8352.1, shall, on order of the Controller, be transferred to the Highway Users Tax Account in the Transportation Tax Fund.

(b) By the 28th day of each calendar month, the amount of the balance remaining to the credit of the Motor Vehicle Fuel Account at the close of business on the 23rd day of the same month attributable to the tax imposed pursuant to subdivision (b) of Section 7360, after payments of refunds and administration and enforcement, as



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provided for in Section 8352.1, shall, on order of the Controller, be transferred to the Transportation Revenue Account in the Transportation Tax Fund.

SEC. 4. Section 60050 of the Revenue and Taxation Code is amended to read:

60050. (a) A tax of eighteen cents (\$0.18) is hereby imposed upon each gallon of diesel fuel subject to the tax in Sections 60051, 60052, and 60058.

~~(b) If the federal fuel tax is reduced below the rate of fifteen cents (\$0.15) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by this section, on and after the date of the reduction, shall be increased by an amount so that the combined state and federal tax rate per gallon equals thirty-three cents (\$0.33).~~

~~(c) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be exempt under this section.~~

(b) (1) An additional tax of eighteen cents (\$0.18) is hereby initially imposed upon each gallon of diesel fuel subject to the tax in Sections 60051, 60052, and 60058, commencing July 1, 2010.

(2) The State Board of Equalization shall adjust the amount of the tax imposed under this subdivision on January 1 of each year commencing January 1, 2011, based on the increase, if any, in the All-Urban Consumer Price Index prepared by the Department of Industrial Relations for the most recent 12-month period for which data is available.



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CHAPTER 3.5. TRANSPORTATION REVENUE ACCOUNT

2140. The Transportation Revenue Account is hereby created in the Transportation Tax Fund and moneys in the fund are hereby continuously appropriated for the purposes of this chapter.

2141. The moneys in the Transportation Revenue Account shall be apportioned or paid by the Controller, as follows:

(a) For payment of current fiscal year debt service, as determined by the Director of Finance, on general obligation bonds issued by the state for transportation purposes consistent with Article XIX of the California Constitution, the amount necessary for that purpose. These payments shall be in lieu of payments for that purpose that would otherwise be made by the General Fund.

(b) Of the moneys remaining after the payments of subdivision (a), 20 percent, or a larger percentage if provided for by statute, shall be paid to the Strategic Growth Council and other eligible entities pursuant to the annual Budget Act for the planning and implementation of projects consistent with the policies of Chapter 728 of the Statutes of 2008, providing the planning and projects are consistent with Article XIX of the California Constitution. Eligible projects under this subdivision shall include mass transportation projects consistent with Chapter 728 of the Statutes of 2008 and Article XIX of the California Constitution. An entity that receives funds under this subdivision may issue bonds backed by those revenues consistent with Section 5 of Article XIX of the California Constitution.



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(c) (1) Of the moneys remaining after the payments of subdivisions (a) and (b), 50 percent shall be apportioned to cities, counties, and cities and counties pursuant to the formulas in subparagraphs (A) and (B) of paragraph (3) of subdivision (c) of Section 7104.2 of the Revenue and Taxation Code. These moneys shall be used for the purposes described in subdivision (e) of Section 7104.2 of the Revenue and Taxation Code and for mass transportation projects consistent with Article XIX of the California Constitution.

(2) Of the moneys remaining after the payments of subdivisions (a) and (b), 50 percent shall be transferred to the State Highway Account. These moneys shall be used for eligible projects in the State Highway Operation and Protection Program and for mass transportation projects consistent with Article XIX of the California Constitution.

2142. The Fuel Tax Rebate Subaccount is hereby created in the Transportation Revenue Account. The Controller shall compute an amount equal to 35 percent of the amount made available each year pursuant to subdivision (a) of Section 2141 relative to payment of current fiscal year debt service on general obligation bonds issued by the state for transportation purposes. An equivalent amount to the amount computed under this section shall be transferred by the Controller each year from the General Fund to the Fuel Tax Rebate Subaccount. The money in the Fuel Tax Rebate Subaccount is hereby continuously appropriated each fiscal year to the Franchise Tax Board to make payments under a personal income tax rebate program to be established by the Legislature to offset, in part, the higher fuel taxes imposed by subdivision (b) of Section 7360 of the Revenue and Taxation Code and subdivision (b) of Section 60050 of the Revenue and Taxation Code.



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2143. The apportionments required under Section 2141 shall be made at the same time as apportionments are made from the Highway Users Tax Account.

2144. All of the accounting and reporting requirements applicable to agencies under the Highway Users Tax Account in Chapter 3 (commencing with Section 2100) and Chapter 4 (commencing with Section 2150) shall apply to funds apportioned under this chapter.

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