Gas Tax Successor Options

Presented by

Gus Khouri & Mitch Weiss

Khouri Consulting LLC

December 4, 2024

Current Breakdown of Gas Tax & Fees at The Pump

- State Gas Tax = 59.6 cents ($7.5B annually)
  - Includes annual CPI adjustment (SB 1, 2017)
  - Last increase before SB 1 was in 1994 (Prop 116)
- Federal Gas Tax = 18.4 cents
- Local Taxes = 3.8% (average)
- Cap and Trade = 27 cents, up to 65 cents? (LCFS)

Problems w/ Gas Tax

- Regressive collection method
- Not keeping up with inflation
- Cars are more fuel-efficient
- Teleworking
- Rapid increase in ZEV purchases
- Decrease of revenue for LSR, SHOPP, STIP

Possible Solutions -VMT Charge

- Conversion rates considered:
  - 2.2 cents per mile = $7.5B = current revenue neutrality
  - 2.5 cents = current CalSTA RUC pilot fee
  - 2.8 cents = necessary rate to account for inflation
- "True" user fee (accounts for <u>all</u> VMT generated in a jurisdiction)
- Privacy concerns (transponders)
- Variable and less equitable (disadvantaged communities)

ESTIMATED VMT Cost vs. Gas Tax

- 49 out of 58 county residents pay more
- 332 out of 480 city residents pay more
- 14 out of 18 MPOs pay more
- 100% of all Maderans pay more
  - $319-$372 vs $300 average gas tax
  - Figures based on population over 18
  - Cost increases when factoring in actual drivers
- 71% of all San Joaquin Valley Residents pay more

Possible Solutions – TIF VRF Conversion

- Existing law included in SB 1
- Faster to implement
- Progressive + customizable revenue collection (car value and frequency of payments)
- No privacy concerns
- Equitable
- Pay less as cars depreciate
- About 3 out of 4 vehicle owners pay less vs. current gas tax and VRF payment
- Easy to customize full VRF to save at tiers vs. current gas tax/VRF charge.

Current VRF

Vehicle Value Range	Annual Rate	Percentage of Registered Vehicles (December 2023)
$0-$4,999	$32	40.1%
$5,000 - $24,999	$65	37.3%
$25,000 - $34,999	$129	9.3%
$35,000 - $59,999	$194	10.3%
$60,000 & Up	$227	3.0%
Overall		100%

Questions?