

Gas Tax – San Francisco

Definition and Examples

A new gas tax in San Francisco to be spent on transportation projects and programs in a countywide expenditure plan (optional).

California's county Boards of Supervisors are authorized to place a countywide gas tax on the ballot for voter approval, as per Sections 9501-9507 of the California Revenue and Taxation Code. Although this section of the Revenue Code has been in place for many years, no county in the state has ever attempted to place a local countywide gas tax on the ballot, reflecting the public opposition to fuel tax increases. In 2017, statewide gas taxes were increased for the first time in 20 years.

Establishment and Administration

Following a 2/3 majority approval by the Board of Supervisors to place a measure on the ballot, the countywide gas tax would need to be approved by a 2/3 majority of San Francisco voters. The tax would be collected by the California Department of Taxes and Fees Administration (formerly the state Board of Equalization) and distributed back to San Francisco net of a state administration fee on a regular basis.

Expenditures

Revenue generated by a countywide gas tax must be used for transportation and must be consistent with the restrictions in Article XIX of the California Constitution¹. This means funds could be used for capital, maintenance and operating purposes for public streets and highways, but transit uses would be limited to exclusive public mass transit guideways. Transit operations, rolling stock, and mass transit passenger facilities are ineligible uses.

Revenues

Based on projected fuel consumption levels in San Francisco up to the year 2040 predicted by the state Board of Equalization, the gasoline tax will generate a steady stream of revenue. There is no statutory cap on the amount of the tax. Based on prior years' fuel consumption in San Francisco, and assuming an average growth rate in fuel consumption, a 10-cent to 20-cent per gallon gas tax increase in San Francisco County would provide:

- First year (2018/19): \$19.2 – \$47 million
- 25-year total (in \$2017): \$435.4 - \$1,168 million

Compared with other revenue sources such as a sales tax, the buying power of a flat-rate per-gallon fuel tax diminishes over time since it does not adjust for inflation but can only increase if the number of gallons purchased within San Francisco increases. Further, the expectation is that gas tax revenues would decline over time as vehicles become more fuel efficient and as the proportion of electric and other clean fuel vehicles increases in California.

Comparison with a Regional Gas Tax: A San Francisco-only gas tax would raise significantly less than a regional gas tax distributed back to counties via population share, since San Franciscans consume less fuel on average than other Bay Area residents. Estimates show that an equivalent regional gas tax, distributed via population

¹ <https://www.boe.ca.gov/pdf/pub59.pdf>

share, would provide San Francisco with over \$23 million in the first year, over 20% more revenues than a San Francisco-only gas tax.

Policy and Equity Considerations

As a user fee, a local gas tax would potentially encourage motorists to adjust their driving behavior (i.e., drive less) and purchase more fuel-efficient vehicles. However, a countywide gas tax might have the undesirable effect of encouraging motorists to purchase their gas in neighboring counties without a similar gas tax increase, potentially decreasing expected fuel tax revenues and harming the competitiveness of San Francisco's gas stations. Lower income households own disproportionately fewer automobiles than the population as a whole and as such, may bear a disproportionately smaller burden of an increased gas tax. However, of the lower income households that do own/rely on automobiles, they are likely to have older, less fuel efficient vehicles.²

² <http://transweb.sjsu.edu/PDFs/research/1426-household-income-and-vehicle-fuel-economy-in-california.pdf>