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The Future of California Transportation Revenue

Martin Wachs, PhD, Hannah King, and Asha Weinstein Agrawal, PhD

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California's ability to plan and deliver an excellent transportation system depends upon the state having a stable, predictable, and adequate revenue stream. This report projects through to 2040 the amount of transportation revenue that the state's own taxes and fees will raise to support transportation services and infrastructure. Likely revenue streams are considered under two scenarios: (i) projected revenues under current state laws, which include provisions adopted in the 2017 Senate Bill 1 (SB1); and (ii) projected revenue should SB1 be repealed by voters in a November 2018 referendum (Proposition 6).

Study Methods

Revenue for each scenario was projected by estimating income from all taxes or fees that would be in place, namely taxes on gasoline and diesel fuel and, under SB1, the new annual Transportation Improvement Fee and an annual fee on Zero-Emission Vehicles. Excluded from the projections is revenue from taxes and fees levied on vehicles that do not fund the state's transportation programs, such as the Vehicle License Fee, which funds the California Highway Patrol and the Department of Motor Vehicles.

In 2040 ... our mean projection is that the state will collect $8.6 billion per year with SB1 and $3.4 billion per year without SB1, a $5.2 billion difference.

Projections were made using spreadsheet models and a set of widely used authoritative data sources and assumptions about likely future trends. The projections are presented as ranges because the future cannot be known with certainty and different plausible economic, demographic, and technological trends lead to different values for any particular year.

Findings

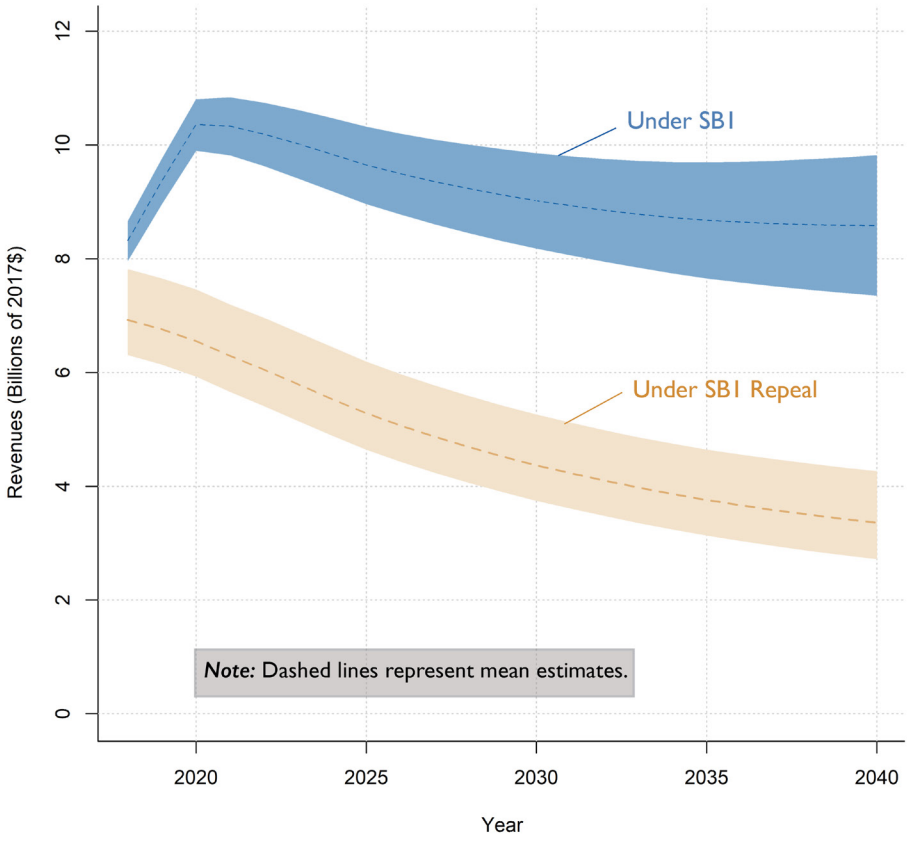
The models show that, unsurprisingly, state-generated transportation revenue, expressed in current constant dollars, will be higher under SB1

than if the act is repealed. The summary figures shows these projections. For 2020, the mean projection is that the state will collect $10.4 billion with SB1 in place and $6.6 billion without it, a difference of $3.8 billion. Over time, changes in fuel economy and other factors will change annual revenue. By 2040, the mean projection is that the state will collect $8.6 billion with SB1 and $3.4 billion without it, a $5.2 billion difference. Summing up the state transportation revenue collected every year between today and 2040, total revenue if SB1 is repealed will be about $100 billion less than if the current law is retained.

To illuminate the policy impacts on individual Californians, the effects of the two scenarios were calculated per registered vehicle. With SB1 in place, the mean projected revenue collected per vehicle will increase from $265 in 2018 to a maximum of $310 in 2020, and then fall to $190 per vehicle by 2040. Should SB1 be repealed, mean projected revenue per vehicle will drop every year, falling to about $74 in 2040.

Policy Implications

Whether SB1 is repealed or retained by voters in November 2018, transportation revenue will decrease over time due to inflation and, most importantly, because of dramatic increases in fuel efficiency and the widespread adoption of ZEVs, both of which are already mandated by the state. Evidence that tax and fee type influences public opinion suggests a variety of ways in which California policymakers can craft transportation tax and fee proposals that reflect public priorities. Support levels will likely be higher when Californians believe that the revenue collected is being spent efficiently and on things they care about, such as maintenance of existing systems and services, safety improvements, and programs that benefit the environment.



Projected Total Transportation Revenue Collected by the State of California Under SB1 and its Repeal, 2018–2040

About the Authors

Martin Wachs, Ph.D., is Distinguished Professor Emeritus of Civil and Environmental Engineering and City and Regional Planning at the University of California, Berkeley. Hannah King is a doctoral student at UCLA. Asha Weinstein Agrawal, Ph.D., is Director of the Mineta Transportation Institute's National Transportation Finance Center.

To Learn More

For more details about the study, download the full report at transweb.sjsu.edu/research/1850.html

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