



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 5c

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Memorandum

TO: Legislation Committee

DATE: September 2, 2011

FR: Executive Director

W. I. 1131

RE: Risk of Federal Motor Fuel Excise Tax Lapse

On September 30, 2011 a significant portion of the federal excise taxes on diesel and gasoline fuel will expire unless extended by Congress. Specifically, 14.1 cents of the 18.4 cents gasoline tax will expire and 20.1 cents of the 24.4 cents diesel excise tax will expire. Under current law, the remaining amounts of the fuel levies would continue to be collected but would be redirected to deficit reduction.

In prior years the extension of the existing tax rate was merely a procedural matter. However, given the recent lapse in aviation taxes that led to a partial shutdown of the Federal Aviation Administration (FAA) last month, transportation professionals across the nation are bracing for a potentially politicized debate that could prove even more difficult than the recent FAA legislation, given that a vote to restore the lapsed taxes could then be portrayed as a "gas tax increase."

State law anticipated this potential scenario and partially cushions the blow by allowing for automatic increases in the state excise tax rate to backfill expiring federal taxes. Unfortunately, the law is outdated and does not reflect the current federal gas tax rates. As a result, only 4.7 cents of the 18.4 cents per gallon gasoline excise tax would be re enacted, while 20.1 cents per gallon of the diesel excise tax would be re enacted.

Staff identified \$1.2 billion in project funding at risk in a preliminary review of how such a lapse could affect our region. This includes \$625 million in projects programmed in FY2011-12 and \$580 million in projects delivered in FY 2010-11 at risk for delayed reimbursement. This understates the total impact as projects delivered in FY 2009-10 and prior could also still be seeking reimbursement.

Federally Funded Projects at Risk (in millions of dollars)

	Reimbursement from FY 2010-11	Programmed for FY 2011-12
STIP	\$15.5	\$110
STP/CMAQ	\$145	\$145
FTA Formula Program	\$420	\$370
Total	\$580	\$625

MTC will work closely with our Washington, D.C. representative, Tom Bulger, and the entire California transportation community to convince Congress to extend the transportation excise taxes as expeditiously as possible.

Steve Heminger