

Statewide Transportation Needs Assessment Revenue Report Template

Revenue Generator *Aviation Fuel Excise Tax Increase*

Application Federal - State – Regional - Local (circle one)
State

Introduction

Revenue derived from fuel excise taxes of \$0.18/gallon on General Aviation (GA) AVGAS and \$0.02/gallon on GA jet fuel remains the only source of funding for the CalTrans Division of Aeronautics. The AVGAS rate became effective in January 1994, and the GA jet fuel rate began in December 1969.

This analysis does not cover the general sales and use taxes imposed on aircraft jet fuel revenues, which supports the state's general fund and local funds, consistent with the use of other general sales taxes.

Yield Potential

Low. Currently, the yield on existing authorized excise collections are decreasing, due to previous transfers of these funds into the state General Fund and to a reduction in certain fuel sales. The current annual revenue has varied between \$5 and \$8 million a year over the last few years.

Use/Restrictions

The primary purpose of these funds is to provide matching grants for small and medium-sized airports to leverage additional funding from the Federal Aviation Administration. The program provides 95% of capital project funding from the federal government, with the local airport providing 2.5% and the CalTrans Division of Aeronautics providing the remaining 2.5%.

The airport projects that have been funded with this revenue have included Airport Land Use Compatibility Plans, safety, security, and other infrastructure improvements.

Sustainability

As the yield has been decreasing over the years, this does not appear to be an overall sustainable source of revenue for small and medium-sized airports. The use of Avgas has also been decreasing due to legal challenges because of the alleged environmental impacts of this type of fuel. An additional major source of this instability has been attempts to divert this revenue away from the Division of Aeronautics and into the General Fund.

Pros/Cons

Fuel taxes have been advocated for as an equitable and efficient means of supporting the needs of the aviation sector due to the fact that the government can efficiently collect the fuel taxes without large administrative costs; they are easy to pay and difficult to avoid; they have generally (recent trends notwithstanding) been a stable and predictable source of revenue; and they are assigned fairly based on the operator's use of the system.

Implementation

High. There have been many legislative attempts over the past few years to reduce the sales and use taxes imposed on the overall jet fuel revenues for general aviation and airlines, with substantially more

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revenue at risk (that does not directly support aviation purposes). The efforts to increase this excise tax would likely face many policy, political and procedural obstacles.

Conclusion/Recommendation

No action recommended at this time, other than ensuring that the existing collection of excise taxes continues to support the Division of Aeronautics and is not diverted to the General Fund. Additional analysis is needed as to the future predicted revenue streams given a potential future reduction in the consumption of Avgas.

Reference Materials

http://www.catc.ca.gov/committees/taca/2010/Jun10/Drft_Sls_Usr_Txs_Prsnttn_060910.pdf

http://www.dot.ca.gov/hq/planning/aeronaut/documents/GrantsandLoans/Grants_Loans_Status.pdf

