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Could gas tax hike leave California with 'highest fuel prices in nation?'

By *Chris Nichols* on Thursday, April 6th, 2017 at 7:08 p.m.



Top Democrats in California want a 12 cent gas tax increase to pay for road repairs. File photo / Capital Public Radio

California's Democratic leaders want to raise the state's gas tax by 12 cents per gallon as part of a plan to pay for massive road repair bills.

Opponents, including Republican George Runner, argue Californians already pay enough for roads.

Runner is a former state lawmaker who sits on the state's Board of Equalization. He recently claimed the gas tax will result in a new level of pain at the pump.

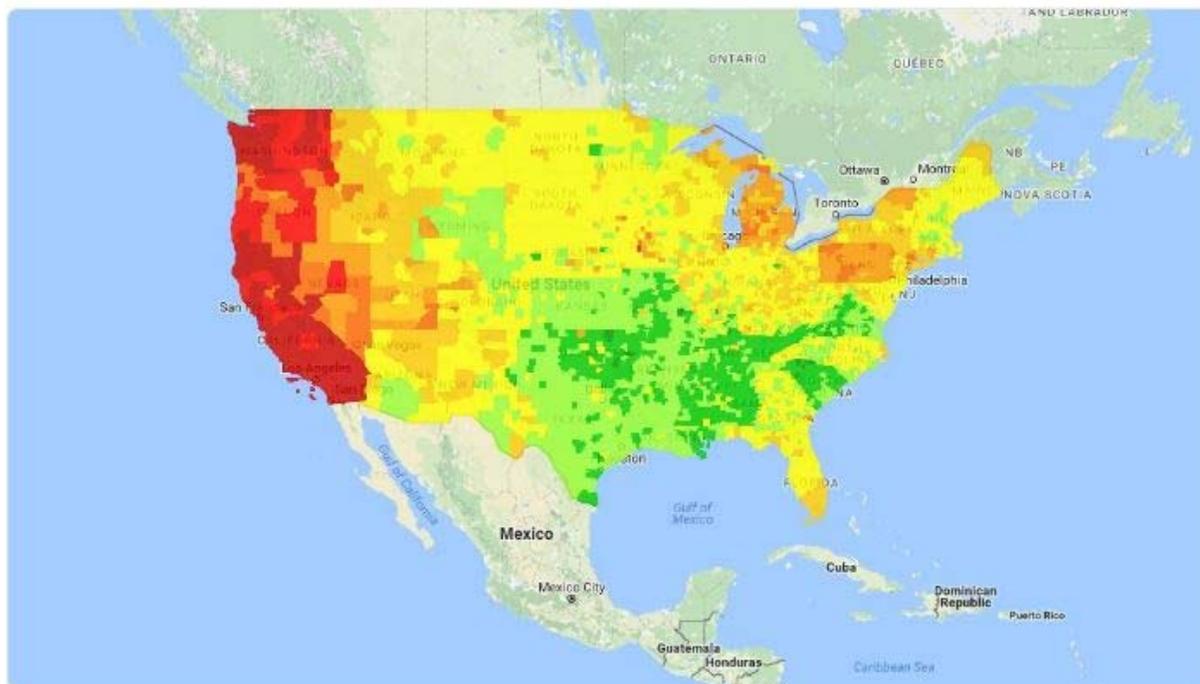
"If approved, Jerry Brown's 12 cent gas tax hike will make California gas prices the highest in the nation," Runner said on Twitter on April 5, 2017.



George Runner ✓
@georgerunner

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California is known for its high gas prices, which are the result of more than just taxes. But we wondered if the proposal -- backed by Gov. Jerry Brown -- could really vault those prices to "the highest in the nation."

Outside the state Capitol in late March, Brown [called the tax necessary](#) to solve California's "massive backlog of broken infrastructure that has been neglected far too long."

"Fixing the roads will not get cheaper by waiting - or ignoring the problem. This is a smart plan that will improve the quality of life in California," the governor added.

Our research

In his tweet, Runner pointed to a [GasBuddy.com chart](#) showing the average regular gas price by state. The chart is updated regularly.

As of the day Runner made his claim, California's average price was \$2.98. It trailed only Hawaii's \$3.04, for a margin of about 6 cents per gallon.

Runner is saying that a 12 cent per gallon tax increase would catapult California past Hawaii into the top spot. This wouldn't be historic, as the state had the highest gas prices back in 2015, [according to a AAA study](#).

Still, when we asked Runner's spokesman about the claim, he pointed to a [Harvard study](#) that finds gas tax increases are fully passed on to consumers.

We spoke with two energy analysts who generally agreed with Runner's assertion that the tax could lead to California again having the highest prices. We decided not to rate this claim on our [Truth-O-Meter](#), however, because it's a prediction and no one knows for sure how gas prices will fluctuate.

The analysts described scenarios that could keep the Golden State from seeing

the top prices in the nation, even if the gas tax is approved.

But before we examine those, we wanted to know what factors currently impact the price at the pump.

California gas prices

California's gas prices are determined, in part, by tax rates.

Drivers in the state pay 56 cents in combined state and federal taxes per gallon of gasoline, the seventh highest in the nation. Pennsylvania drivers pay the most at 76 cents per gallon, according to the [American Petroleum Institute](#).

California's high prices are also the result of the 1996 requirement by state air regulators that vehicles run on cleaner-burning gasoline. As an [article on priceonomics.com](#) stated: "This requirement raised gas prices directly by increasing the cost of refining. ... Not all refineries are capable of producing California's requisite blend."

In addition, the price is affected by the cost to supply California with gasoline. It and other western states pay more because they're located far from many of the nation's refineries, a majority of which are near the Gulf Coast, according to analysts.

What could change gas prices?

We asked Patrick DeHaan, a senior petroleum analyst at GasBuddy.com, whether Runner's claim that California could vault into the top spot was realistic.

DeHaan said California's tax proposal should, indeed, "send California into the top ranking." The gas tax increase would go into effect in November.

Even with the tax hike, however, there are scenarios where Hawaii could remain No. 1, he said. Hurricanes near Hawaii, for example, could disrupt supply to the

state, causing its prices to spike.

Another energy analyst said there's a scenario where California's gas prices head south, even with a gas tax increase.

Severin Borenstein, a professor at UC Berkeley's Haas School of Business, who specializes in energy markets, said California's gas prices are about \$0.60 per gallon higher than the national average while they historically have been \$0.35 cents higher.

Runner's claim "makes sense IF we think California's gasoline margins" will stay at their abnormally high level, Borenstein said in an email.

But if they revert back to their historic averages, he said, California's prices stay at No. 2 in the nation, even with a gas tax increase.

As recently as February 2017, analysts at the California State Automobile Association and the California Energy Commission predicted that California would see higher gas prices soon, according to an [article in The Mercury News](#).

Tacking on 12 more cents per gallon to California's gas tax could very well leave the state with the most expensive gas prices in the nation, as Runner claimed.

But without a crystal ball, no one knows for sure how the state's prices will rank months from now when the proposed tax increase would go into effect.

We'll check back on Runner's claim further down the road.



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About this article

Researchers: [Chris Nichols](#)

Names in this article: [Jerry Brown](#)

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