



STATE OF CALIFORNIA

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May 1, 2015

The Honorable Tom Berryhill
California State Senate
State Capitol, Room 3076
Sacramento, CA 95814

Subject: **SB 433- BOE Support if Amended**

Dear Senator Berryhill:

The Board of Equalization (BOE) supports your Senate Bill (SB) 433 related to the fuel tax swap, if amended to add a five-year sunset. Since the passage of the fuel tax swap legislation in 2010, the BOE has worked with the Department of Finance (DOF) to determine the appropriate excise tax rate adjustments to maintain revenue neutrality. Your bill shifts the responsibility for rate setting to the DOF.

Specifically, SB 433 requires the DOF, instead of the BOE, to determine the annual excise tax rate adjustments for both gasoline and diesel fuel. This bill offers the following benefits:

- **Streamlines the fuel tax swap rate-setting.** The BOE has worked closely with the DOF to determine a forecast for both consumption and fuel prices and adopts DOF's consumption forecast that is prepared for budget purposes to calculate the fuel tax swap rate. DOF rate-setting streamlines the process.
- **Avoids duplication.** This bill shifts responsibility to the agency with more resources dedicated to economic forecasting, avoiding duplication of efforts.
- **BOE continues to provide information and assistance.** BOE staff would continue to provide notices and information about the adjusted fuel tax rates to the taxpayers, affected industry, and the public.

If you have any questions, please contact Michele Pielsticker, Chief, Legislation and Research Division, at (916) 322-2376.

Sincerely,


Cynthia Bridges
Executive Director

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