



Falling Gas Prices Mask Hidden Tax

By George Runner

So why is it that while other states are now enjoying gas prices of less than \$2 per gallon, California is still paying higher prices?

Due to high taxes and costly regulations, our state's gas prices are higher than other states. It's been that way for years.

But what's new is that the gap between California's and other states' gas prices has grown.

To get a sense of the change, compare California gas prices with those of the nation as a whole. According to GasBuddy.com, even while overall prices have fallen, the gap has grown from about 32 cents per gallon just a month ago to as much as 47 cents this January.

That's a 15 cent increase in just one month!

The likely culprit is a new "hidden gas tax" that took effect January 1. The new regulation expands the state's cap-and-trade program to include transportation fuels. The expansion is the latest in a series of sweeping and costly regulations developed by the California Air Resources Board as it implements the California Global Warming Solutions Act.

Luckily for the Governor and his Air Board appointees, gas prices barely budged when the new rule kicked in; in fact, prices have continued to fall, masking the rule's true impact and ironically causing the new "hidden gas tax" to be even more hidden.

Just a few years ago gas prices were soaring dangerously near \$5 per gallon. Imagine public outcry if the government had caused gas prices to soar then!

When government imposes higher costs on fuel providers, California consumers inevitably pay the price in lost jobs, income and opportunity.

As economist Severin Borenstein notes: "Every analysis of cap-and-trade — or of a gas tax or, for that matter, of movements in the price of crude oil — finds that a change in the cost of selling gasoline, up or down, is quickly and fully passed through to consumers."

We'd likely all be paying 10 to 15 cents less per gallon if not for the new regulation. Depending on the auction price of emission credits, some fear the cost could grow far higher in future years.

Concern about the economic impact of high gas prices led to a bipartisan effort last year to postpone the planned cap-and-trade expansion. Unfortunately, Assemblyman Henry Perea's legislation (AB 69) died when Senate President Pro Tem Darrell Steinberg refused to authorize a hearing.

Republicans have already announced a repeal effort this year in the form of SB 5 and AB 23, but it's hard to imagine their bills will fare better.

Of course, with hidden taxes, exactly how much more we're paying is anyone's guess. That's just one of many reasons hidden taxes are such a bad idea. Taxes should be transparent, straightforward and easy to understand. You shouldn't need to hire an economist to know how much money you're sending to Sacramento—or Washington, D.C.—each year or how it's being used.

We do know that 25% of the billions in new revenue the State of California collects from its cap-and-trade system is being used to fund the state's costly and controversial high speed rail project. Yet even with this funding source, the project—which recently broke ground in Fresno—still lacks the necessary funding to finish the job.

So next time you fill up at the pump, remember you're helping pay for a train you won't be able to ride until the year 2029—assuming it ever gets built. (Even then you'll still have to pay to ride the train.)

Maybe that's why politicians try so hard to keep taxes like these hidden.

George Runner represents more than nine million Californians as a taxpayer advocate and elected member of the State Board of Equalization. For more information, visit boe.ca.gov/Runner.