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SB-94 Transportation funding: Greenhouse Gas Reduction Fund: Motor Vehicle Fuel Account. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

SENATE BILL

NO. 94

Introduced by Senator ~~Jones~~ **Strickland**

January 23, 2025

An act to amend Section ~~39000 of the Vehicle Code, relating to transportation.~~ **39719 of the Health and Safety Code, and to amend Sections 7360, 7362, 7363, and 7364 of, and to add and repeal Section 7374 of, the Revenue and Taxation Code, relating to transportation, and making an appropriation therefor.**

LEGISLATIVE COUNSEL'S DIGEST

SB 94, as amended, ~~Jones Strickland. Transportation: bicycles.~~ **Transportation funding: Greenhouse Gas Reduction Fund: Motor Vehicle Fuel Account.**

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act authorizes the state board to include in its regulation of those emissions the use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund. Existing law continuously appropriates 25% of the annual proceeds of the fund to the High-Speed Rail Authority for certain purposes, as specified.

This bill would eliminate the continuous appropriation of 25% of the annual proceeds of the Greenhouse Gas Reduction Fund to the High-Speed Rail Authority on June 30, 2026. The bill, beginning with the 2026–27 fiscal year, and until December 31, 2030, would require 25% of the annual proceeds of the Greenhouse Gas Reduction Fund to be transferred to the Motor Vehicle Fuel Account.

Existing law, the Motor Vehicle Fuel Tax Law, imposes a tax upon each gallon of motor vehicle fuel removed from a refinery or terminal rack in this state, entered into this state, or sold in this state, at a specified rate per gallon. Existing law provides that amounts received pursuant to the Motor Vehicle Fuel Tax Law are deposited into the Motor Vehicle Fuel Account in the Transportation Tax Fund. Existing law transfers the portions of those motor vehicle fuel tax revenues attributable to various off-highway uses of motor vehicle fuel to specified funds and transfers the remaining revenues to the Highway Users Tax Account for

allocation to various state and local transportation purposes consistent with the expenditure restrictions imposed by Article XIX of the California Constitution on excise tax revenues from fuels used in motor vehicles on the highway.

This bill, beginning July 1, 2026, and before January 1, 2031, would reduce the rate of the tax imposed upon each gallon of fuel by a specified percentage based annually on the amount transferred to the Motor Vehicle Fuel Account from the Greenhouse Gas Reduction Fund. By transferring moneys to a continuously appropriated account, this bill would make an appropriation.

~~Existing law requires the Department of Motor Vehicles to procure and distribute bicycle license indicia and registration forms to all counties and cities that have adopted a bicycle licensing ordinance or resolution. Existing law prohibits a city or county that adopts a bicycle licensing ordinance or resolution from prohibiting the operation of an unlicensed bicycle. Existing law defines "bicycle" for these purposes.~~

~~This bill would make a technical, nonsubstantive change to this provision.~~

Vote: ~~majority~~2/3 Appropriation: ~~no~~yes Fiscal Committee: ~~no~~yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. *Section 39719 of the Health and Safety Code is amended to read:*

39719. (a) The Legislature shall appropriate the annual proceeds of the fund for the purpose of reducing greenhouse gas emissions in this state in accordance with the requirements of Section 39712.

(b) To carry out a portion of the requirements of subdivision (a), the annual proceeds of the fund are continuously appropriated for the following:

(1) Beginning in the 2015–16 fiscal year, and notwithstanding Section 13340 of the Government Code, 35 percent of the annual proceeds of the fund are continuously appropriated, without regard to fiscal years, for transit, affordable housing, and sustainable communities programs as follows:

(A) Ten percent of the annual proceeds of the fund is hereby continuously appropriated to the Transportation Agency for the Transit and Intercity Rail Capital Program created by Part 2 (commencing with Section 75220) of Division 44 of the Public Resources Code.

(B) Five percent of the annual proceeds of the fund is hereby continuously appropriated to the Low Carbon Transit Operations Program created by Part 3 (commencing with Section 75230) of Division 44 of the Public Resources Code. Moneys shall be allocated by the Controller, according to requirements of the program, and pursuant to the distribution formula in subdivision (b) or (c) of Section 99312 of, and Sections 99313 and 99314 of, the Public Utilities Code.

(C) Twenty percent of the annual proceeds of the fund is hereby continuously appropriated to the Strategic Growth Council for the Affordable Housing and Sustainable Communities Program created by Part 1 (commencing with Section 75200) of Division 44 of the Public Resources Code. Of the amount appropriated in this subparagraph, no less than 10 percent of the annual proceeds of the fund shall be expended for affordable housing, consistent with the provisions of that program.

(2) Beginning in the 2015–16 fiscal year, *and until June 30, 2026*, notwithstanding Section 13340 of the Government Code, and subject to the requirements of Section 39719.3, 25 percent of the annual proceeds of the fund is hereby continuously appropriated to the High-Speed Rail Authority for the following components of the initial operating segment and Phase I Blended System as described in the 2012 business plan adopted pursuant to Section 185033 of the Public Utilities Code:

(A) Acquisition and construction costs of the project.

(B) Environmental review and design costs of the project.

(C) Other capital costs of the project.

(D) Repayment of any loans made to the authority to fund the project.

(3) (A) Beginning in the 2020–21 fiscal year, and until June 30, 2030, 5 percent of the annual proceeds of the fund, up to the sum of one hundred thirty million dollars (\$130,000,000), is hereby annually transferred to the Safe and Affordable Drinking Water Fund established pursuant to Section 116766 for the purposes of Chapter 4.6 (commencing with Section 116765) of Part 12 of Division 104.

(B) Moneys transferred under this paragraph shall be used for the purpose of facilitating the achievement of reductions of greenhouse gas emissions in this state in accordance with the requirements of Section 39712 or to improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities, consistent with Division 25.5 (commencing with Section 38500). For purposes of the moneys transferred under this paragraph, a state agency may

also comply with the requirements of paragraphs (2) and (3) of subdivision (a) of Section 16428.9 of the Government Code by describing how each proposed expenditure will improve climate change adaptation and resiliency of disadvantaged communities or low-income households or communities.

(4) Notwithstanding Section 13340 of the Government Code, for each fiscal year, beginning in the 2022–23 fiscal year through the ~~2028–29~~ 2028–29 fiscal year, the sum of two hundred million dollars (\$200,000,000) is hereby continuously ~~appropriated~~ *appropriated* to the Department of Forestry and Fire Protection and allocated as follows:

(A) One hundred sixty-five million dollars (\$165,000,000) for healthy forest and fire prevention programs and projects that improve forest health and reduce emissions of greenhouse gases caused by uncontrolled wildfires.

(B) Thirty-five million dollars (\$35,000,000) for the completion of prescribed fire and other fuel reduction projects through proven forestry practices consistent with the recommendations of the California Forest Carbon Plan, including the operation of year-round prescribed fire crews and implementation of a research and monitoring program for climate adaptation.

(c) In determining the amount of the annual proceeds of the fund for purposes of the calculation in paragraphs (1) to (3), inclusive, of subdivision (b), the funds subject to Section 39719.1 and the sum set forth in paragraph (4) of subdivision (b) shall not be included.

(d) Notwithstanding subdivision (a), beginning in the 2026–27 fiscal year, and until December 31, 2030, 25 percent of the annual proceeds of the fund is hereby annually transferred to the Motor Vehicle Fuel Account. The amount transferred is continuously appropriated in accordance with Section 8352 of the Revenue and Taxation Code.

SEC. 2. *Section 7360 of the Revenue and Taxation Code is amended to read:*

7360. (a) (1) ~~Except as provided in Section 7374, a~~ tax of eighteen cents (\$0.18) is hereby imposed upon each gallon of fuel subject to the tax in Sections 7362, 7363, and 7364.

(2) If the federal fuel tax is reduced below the rate of nine cents (\$0.09) per gallon and federal financial allocations to this state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by paragraph (1), on and after the date of the reduction, shall be recalculated by an amount so that the combined state rate under paragraph (1) and the federal tax rate per gallon equal twenty-seven cents (\$0.27).

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be so exempt under this section.

(b) (1) ~~Except as provided in Section 7374, on~~ and after July 1, 2010, in addition to the tax imposed by subdivision (a), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364 in an amount equal to seventeen and three-tenths cents (\$0.173) per gallon.

(2) For the 2011–12 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate in paragraph (1) in that manner as to generate an amount of revenue that will equal the amount of revenue loss attributable to the exemption provided by Section 6357.7, based on estimates made by the board, and that rate shall be effective during the state's next fiscal year.

(3) In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2012, the adjustment under paragraph (2) shall also take into account the extent to which the actual amount of revenues derived pursuant to this subdivision and, as applicable, Section 7361.1, the revenue loss attributable to the exemption provided by Section 6357.7 resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.

(4) The intent of paragraphs (2) and (3) is to ensure that the act adding this subdivision and Section 6357.7 does not produce a net revenue gain in state taxes.

(5) Commencing July 1, 2019, the adjustments in paragraphs (2) and (3) shall cease, and the rate imposed by this subdivision shall be the rate in paragraph (1).

(c) ~~Except as provided in Section 7374, on~~ and after November 1, 2017, in addition to the taxes imposed by subdivisions (a) and (b), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364, in an amount equal to twelve cents (\$0.12) per gallon.

(d) On July 1, 2020, and every July 1 thereafter, the board shall adjust the taxes imposed by subdivisions (a), (b), and (c), with the adjustment to apply to both to the base tax rates specified in those provisions and to any previous adjustment in rates made pursuant to this subdivision, by increasing the taxes by a percentage amount equal to the increase in the California Consumer Price Index, as calculated by the Department of Finance with the resulting taxes rounded to the nearest one-tenth of one cent

(\$0.01). The first adjustment pursuant to this subdivision shall be a percentage amount equal to the increase in the California Consumer Price Index from November 1, 2017, to November 1, 2019. Subsequent annual adjustments shall cover subsequent 12 month periods. The incremental change shall be added to the associated rate for that year.

(e) Any increases to the taxes imposed under subdivisions (a), (b), and (c) that are enacted by legislation subsequent to July 1, 2017, shall be deemed to be changes to the base tax rates for purposes of the California Consumer Price Index calculation and adjustment performed pursuant to subdivision (d).

SEC. 3. *Section 7362 of the Revenue and Taxation Code is amended to read:*

7362. ~~The~~ *Except as provided in Section 7374, the* tax specified in Section 7360 is imposed on the removal of motor vehicle fuel in this state from a terminal if the motor vehicle fuel is removed at the rack.

SEC. 4. *Section 7363 of the Revenue and Taxation Code is amended to read:*

7363. ~~The~~ *Except as provided in Section 7374, the* tax specified in Section 7360 is also imposed on all of the following:

(a) The removal of motor vehicle fuel in this state from any refinery if either of the following applies:

- (1) The removal is by bulk transfer and the refiner or the owner of the motor vehicle fuel immediately before the removal is not a licensed supplier.
- (2) The removal is at the refinery rack.

(b) The entry of motor vehicle fuel into this state for sale, consumption, use, or warehousing if either of the following applies:

- (1) The entry is by bulk transfer and the enterer is not a licensed supplier.
- (2) The entry is not by bulk transfer.

(c) The removal or sale of motor vehicle fuel in this state to an unlicensed person unless there was a prior taxable removal, entry, or sale of the motor vehicle fuel.

(d) The removal or sale of blended motor vehicle fuel in this state by the blender thereof. The number of gallons of blended motor vehicle fuel subject to tax is the difference between the total number of gallons of blended motor vehicle fuel removed or sold and the number of gallons of previously taxed motor vehicle fuel used to produce the blended motor vehicle fuel.

SEC. 5. *Section 7364 of the Revenue and Taxation Code is amended to read:*

7364. ~~The~~ *Except as provided in Section 7374, the* tax specified in Section 7360 is imposed as a backup tax as follows:

(a) On the delivery into the fuel tank of a motor vehicle fuel-powered highway vehicle of:

- (1) Any motor vehicle fuel on which a claim for refund has been allowed; or
- (2) Any liquid on which tax has not been imposed by this part, Part 3 (commencing with Section 8601), or Part 31 (commencing with Section 60001).

(b) On the sale of any motor vehicle fuel on which a claim for refund has been allowed.

(c) On the sale and delivery into the fuel tank of a motor vehicle fuel-powered highway vehicle of any liquid on which tax has not been imposed by this part, Part 3 (commencing with Section 8601), or Part 31 (commencing with Section 60001).

SEC. 6. *Section 7374 is added to the Revenue and Taxation Code, to read:*

7374. (a) *Beginning July 1, 2026, and before January 1, 2031, the rate of any tax imposed upon each gallon of fuel subject to tax pursuant to this chapter shall be reduced by the percentage annually estimated under paragraph (3) of subdivision (b).*

(b) (1) *No later than June 30, 2026, and each June 30 thereafter, the California Department of Tax and Fee Administration shall determine the amount collected pursuant to Sections 7360, 7362, 7363, and 7364 in the 2024–25 fiscal year, and adjust that amount for inflation to estimate the amount to be received in the next fiscal year.*

(2) *No later than June 30, 2026, and each June 30 thereafter, the California Department of Tax and Fee Administration, in coordination with the State Air Resources Board, shall estimate the amount that is to be transferred to the Motor Vehicle Fuel Account pursuant to subdivision (d) of Section 39719 of the Health and Safety Code for the next fiscal year.*

(3) The California Department of Tax and Fee Administration shall estimate the percentage reduction in the rate of the tax imposed by this chapter for the next fiscal year, beginning July 1, that would reduce the amount estimated in paragraph (1) by the amount estimated in paragraph (2).

(c) This section shall remain operative only until April 1, 2031, and as of that date is repealed.

~~SECTION 1. Section 39000 of the Vehicle Code is amended to read:~~

~~39000. "Bicycle," for the purposes of this division, means any device upon which a person may ride, which is propelled by human power through a system of belts, chains, or gears having either two or three wheels (one of which is at least 20 inches in diameter) or having a frame size of at least 14 inches, or having four or more wheels.~~