REPORT OF THE
CHIEF LEGISLATIVE ANALYST

DATE: September 09, 2026

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso Chief Legislative Analyst

Council File No.: 25-0002-S97
Assignment No.: 26-09-0635

SUBJECT: Proposed Mechanism for the Suspension of the State Gas Tax

CLA RECOMMENDATION: Receive and file Resolution (Lee – Rodriguez) to include in the City's 2025-2026 State Legislative Program SUPPORT for legislation or administrative action that would suspend the State gas tax when the global price of a barrel of oil exceeds 10 percent of the five-year average.

SUMMARY

According to Resolution (Lee - Rodriguez), introduced April 14, 2026, high gasoline prices create a financial hardship for commuters, disproportionately affecting low- and moderate-income households, and implementation of a mechanism to suspend gas taxes during periods of elevated prices would provide financial relief for consumers. The Resolution seeks an official position of the City to support legislation or administrative action that would suspend the State gas tax when the global price of a barrel of oil exceeds 10 percent of the five-year average.

Given regular volatility in gas prices, the State legislature's and Governor's recent actions and statements against suspension of the State gas tax, and the City's anticipation of gas tax revenue programmed in the current year budget, this report recommends that the Resolution be received and filed.

BACKGROUND

The State Gasoline Excise Tax predominantly funds transportation-related work throughout the State including maintenance and repair of roads and highways. A significant portion of gas tax collected by the State is distributed to counties and cities for maintenance of local roads and may also be used to implement pedestrian and bicycle safety, active transportation, and traffic control projects. In Fiscal Year 2026-27, the State gas tax is set at $0.634 per gallon.

The City received an estimated $213.7M in revenues from State Gas Taxes in Fiscal Year 2025-26; the 2026-27 Adopted Budget projects the City will receive $220.6M. The current budget has programmed these dollars to support the construction of access ramps as part of street resurfacing, reconstruction of concrete streets, street safety projects along the Vision Zero High Injury Network, and multiple street-related capital projects that include hillside stability, bridge, and tunnel projects.

Following the outbreak of hostilities between the United States and Iran in February 2026, gasoline prices have risen sharply. Subsequently, numerous policies and proposed legislation were introduced to reduce or suspend the State gas tax in order to provide financial relief to consumers.

S.B. 1035 (Strickland) would have suspended taxes on motor vehicle fuel for a year, required the State to backfill the loss in tax revenue from its General Fund, suspended low carbon fuel standards for a year, and exempted motor vehicle fuel supplies from the State's cap-and-trade program for a year. The bill was voted down in the State Senate's Environmental Quality Committee in March 2026 and has failed to advance from Committee.

Separately, A.B. 1745 (Gonzalez) would suspend taxes on motor vehicle fuel for a year and require the State to backfill the loss in gas tax revenue using Fiscal Year 2023-24 revenue totals. To date, the bill, which was introduced in February 2026, has not been scheduled for any hearings. Additionally, the Governor has publicly stated he does not support a State gas tax holiday, citing the State's reliance on gas tax revenues to fund road and highway maintenance. While both S.B. 1035 and A.B. 1745 included backfill provisions that would have protected against the loss of local revenue, opponents of the proposals cited general budget constraints at the State level in their arguments against the proposed legislation as the State's General Fund would have borne the cost of the lost revenue.

Resolution (Lee – Rodriguez) proposes implementing a mechanism to automatically suspend the State gas tax when the global price of a barrel of oil exceeds 10 percent of the five-year average, rather than a set period of suspension as in the proposed State legislation. The intention is that the suspension of the State tax would be triggered when the barrel of oil exceeds 10 percent above the five-year average (i.e. if the price of a barrel of crude oil is greater than 110 percent of the current five-year average). There are multiple pricing benchmarks that could be used to determine the general cost of a barrel of crude oil on the market, the predominant global benchmarks being West Texas Intermediate (WTI) and Brent crude oil, with WTI better reflecting the price of oil produced domestically and Brent more reflecting global prices.

Using data from the U.S. Energy Information Administration, the five-year average spot price for a barrel of Brent crude oil in August 2026 was $83.67 and the average cost of a barrel in that same month was $91.08, which would not trigger a suspension of the gas tax using the proposed formula. In 2026, the gas tax would have been suspended in March, April, and May, using this 10 percent above the five-year average mechanism and using monthly averages rather than day-to-day or hour-to-hour prices. Looking further back, had this suspension mechanism been in place, the gas tax would have been suspended for all of 2021, 2022, and 2023, excepting four months. The City received approximately $546M in gas tax receipts over this same time period.

It is important to note that the calculations made above use monthly data, which smooths out much of the day-to-day fluctuations in oil prices. Were daily data to be used, rather than monthly figures, the gas tax would have been suspended in nine of 20 business days in August 2026 alone (the Brent crude oil market does not trade on weekends). Should a suspension mechanism be implemented, a statewide procedure for the suspending of the gas tax and lowering of prices by retailers would need to be developed.

Given the failure to advance gas tax relief at the State, regular volatility in gas prices, which can fluctuate dramatically, and the City's reliance on gas tax revenue for critical infrastructure investment, this Office is recommending that Resolution (Lee – Rodriguez) be received and filed. Should the Council wish to proceed in support of legislative or administrative action to suspend the State gas tax in periods of high gas prices, the City should adopt an amended Resolution conditioning the suspension of the State gas tax upon guarantee that the State backfill any loss of revenue to the City.

Matthew Shade
Analyst

Attachments: 1. Resolution

RESOLUTION

WHEREAS, the City of Los Angeles is committed to protecting residents and businesses from excessive and volatile fuel costs that place a disproportionate burden on working families, small businesses, and essential industries; and

WHEREAS, the price of gasoline in the State of California is among the highest in the nation, due in part to taxes and fees imposed at the state level; and

WHEREAS, the State's excise tax on gasoline, commonly referred to as the "gas tax", is intended to fund transportation infrastructure, but can significantly exacerbate price spikes during periods of elevated global oil prices; and

WHEREAS, global crude oil prices are highly volatile and influenced by geopolitical instability, supply chain disruptions, and market speculation, often resulting in sudden and substantial increases in fuel costs for consumers; and

WHEREAS, gasoline prices typically surge to levels that create financial hardship for commuters, disproportionately impacting low- and moderate-income households who rely on personal vehicles for work, childcare, and daily necessities; and

WHEREAS, temporary, targeted tax relief during periods of extreme price increases would provide immediate economic relief to Californians while maintaining long-term commitments to infrastructure funding during more stable market conditions; and

WHEREAS, the State Legislature and Governor have the authority to suspend or adjust fuel excise taxes in response to extraordinary economic conditions; and

WHEREAS, the Council urges the Governor and the State Legislature of the State of California to adopt a clear, automatic trigger mechanism to temporarily suspend the gas tax during such periods of elevated oil prices, ensuring timely and predictable relief for consumers.

NOW, THEREFORE, BE IT RESOLVED, that the Council of the City of Los Angeles hereby includes in its 2025–2026 State Legislative Program SUPPORT for legislation or administrative action that would suspend the State gas tax whenever the global price of a barrel of oil exceeds 10% of the 5-year average.

PRESENTED BY: ______________________

JOHN S. LEE
Councilmember, 12th District

SECONDED BY: ______________________

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