



Where the Sidewalk Will End

**The Dire Outlook For
State Transportation
Funding**

*2024 League of California
Cities Annual Conference*

October 18, 2024

Agenda

1.

The Problem

2.

The Needs

3.

Potential Solutions

The Problem

Panelist 1:
Frank Jimenez

Senior Fiscal and Policy Analyst
Legislative Analyst's Office

Assessing California's Climate Policies—Implications for State Transportation Funding and Programs

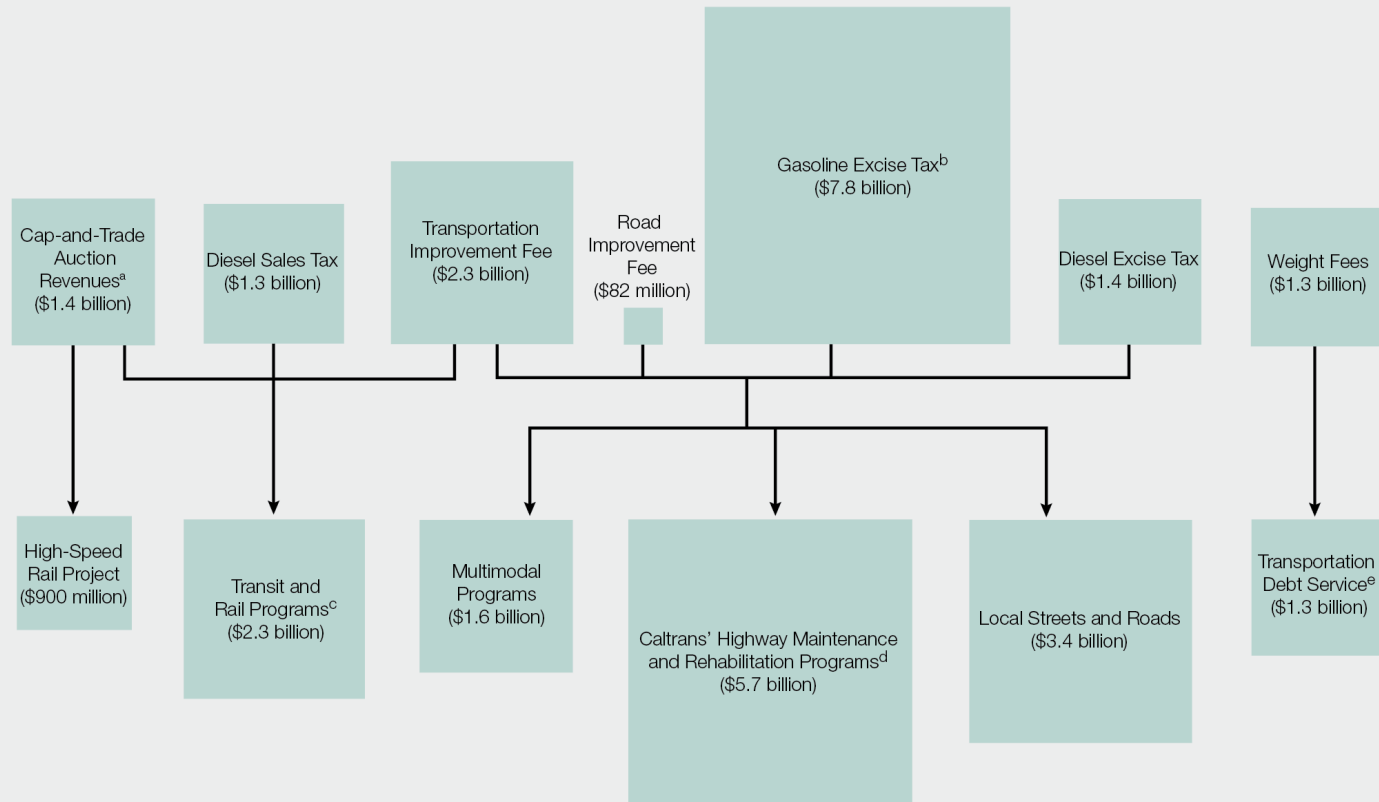


LAO

GABRIEL PETEK | LEGISLATIVE ANALYST
DECEMBER 2023

State Transportation Funding and Programs

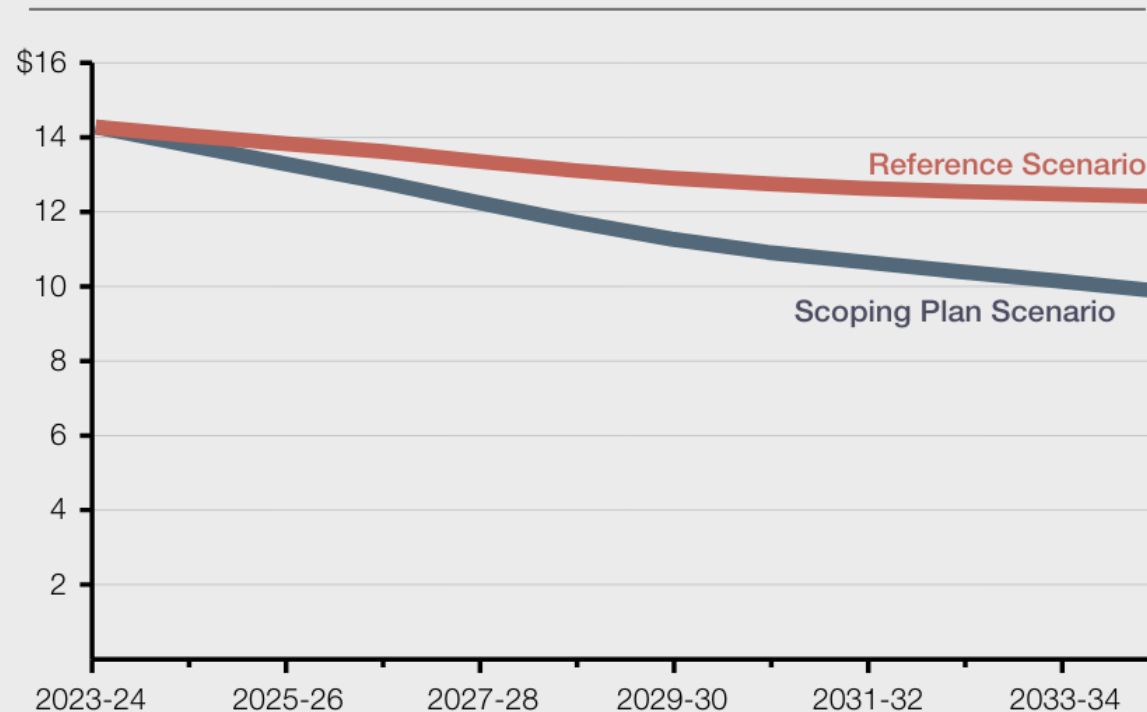
2023-24



Projected Impacts to Overall State Transportation Revenues

Overall Transportation Revenues Projected to Decline Significantly

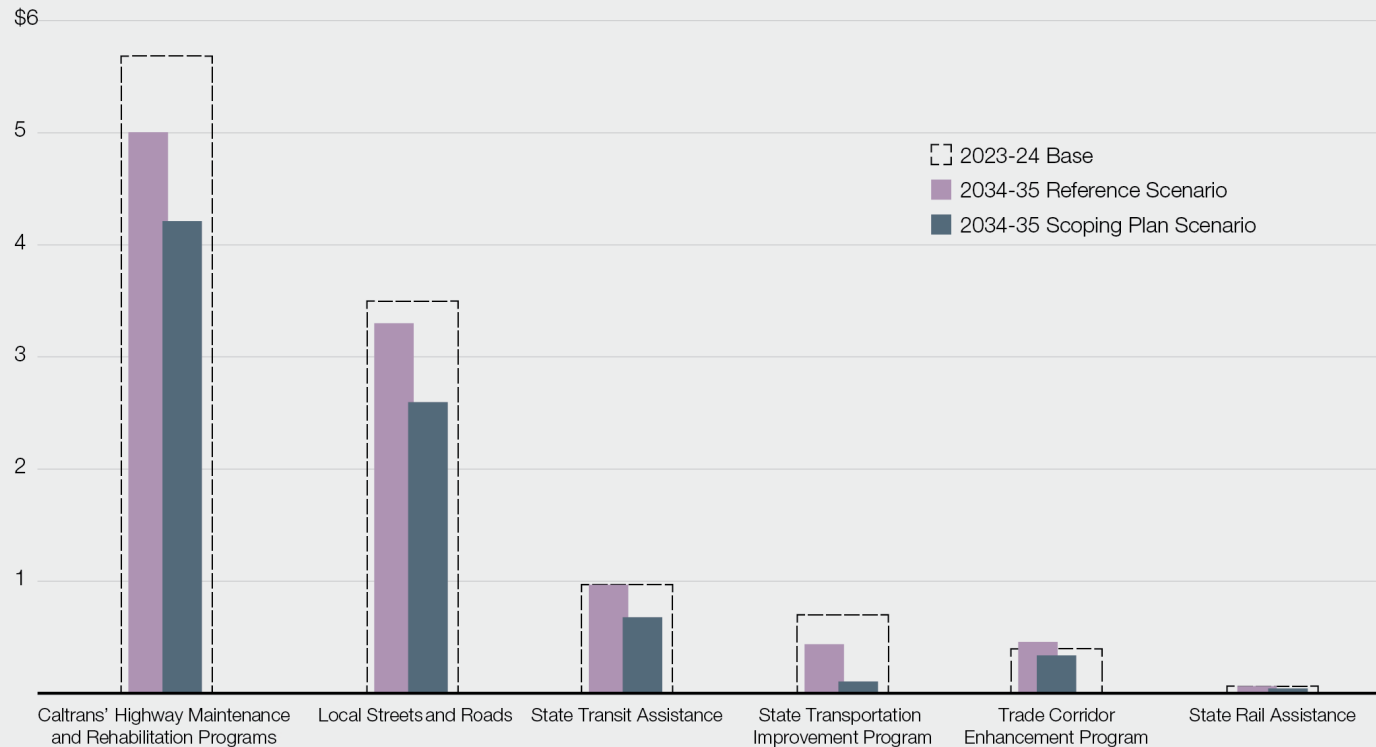
Inflation-Adjusted Dollars (In Billions)



Projected Impacts to State Transportation Programs

Several State Transportation Programs Will Be Impacted by Declining Revenues

Inflation-Adjusted Dollars (In Billions)



Options to Address Approaching Transportation Funding Gap

- **Increase Existing Fuel Taxes and Vehicle Fees**
- **Shift Transportation Costs to Other Fund Sources**
- **Reduce and Reprioritize Spending for Transportation Programs**
- **Generate Revenues From New Transportation-Related Charges**

The Needs



Panelist 2:
Manny Leon

Deputy Director
California Alliance For Jobs

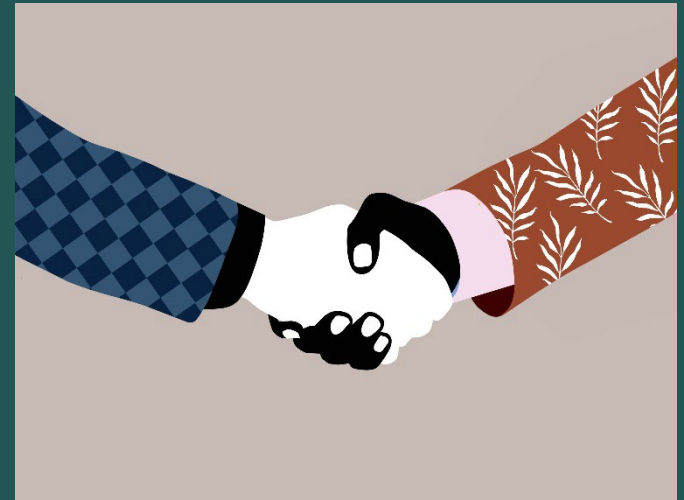
Existing Infrastructure Needs

- Current Road and Highway Conditions
- SB 1 Performance Requirements
- SB 1121 (2022) Needs Assessment Report
- Climate-Related Regulations: ACF, ACC II, etc.
- Goods Movement



How To Engage

- Prepare Info on Local Conditions & Future Needs
- Meet with Your State Legislators
- Invite / Provide Tours to District Staff
- Engage on Info Hearings and Submit Letters of Support
- Include in Your Legislative Platform
- Be Active in Coalitions



One Potential Solution

Panelist 3:
Lauren Prehoda

Director - Road Charge Program,
California Department of Transportation (Caltrans)



**California
Road Charge**

4 Issues At The Pump

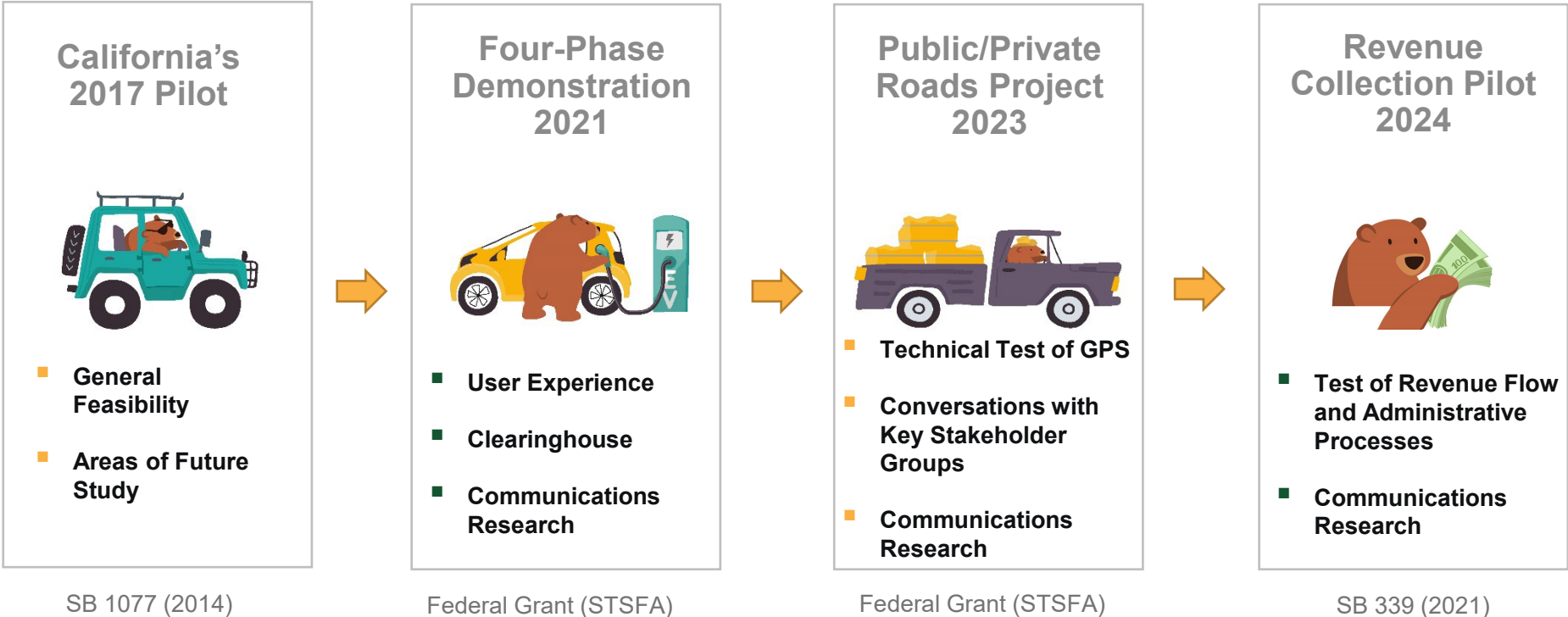
1. Fuel Efficiency Gains
2. Increase In Zero Emission Vehicles
3. Inflation and Loss of Purchase Power
4. Uneven Fuel Tax Burden



What is a Road Charge?

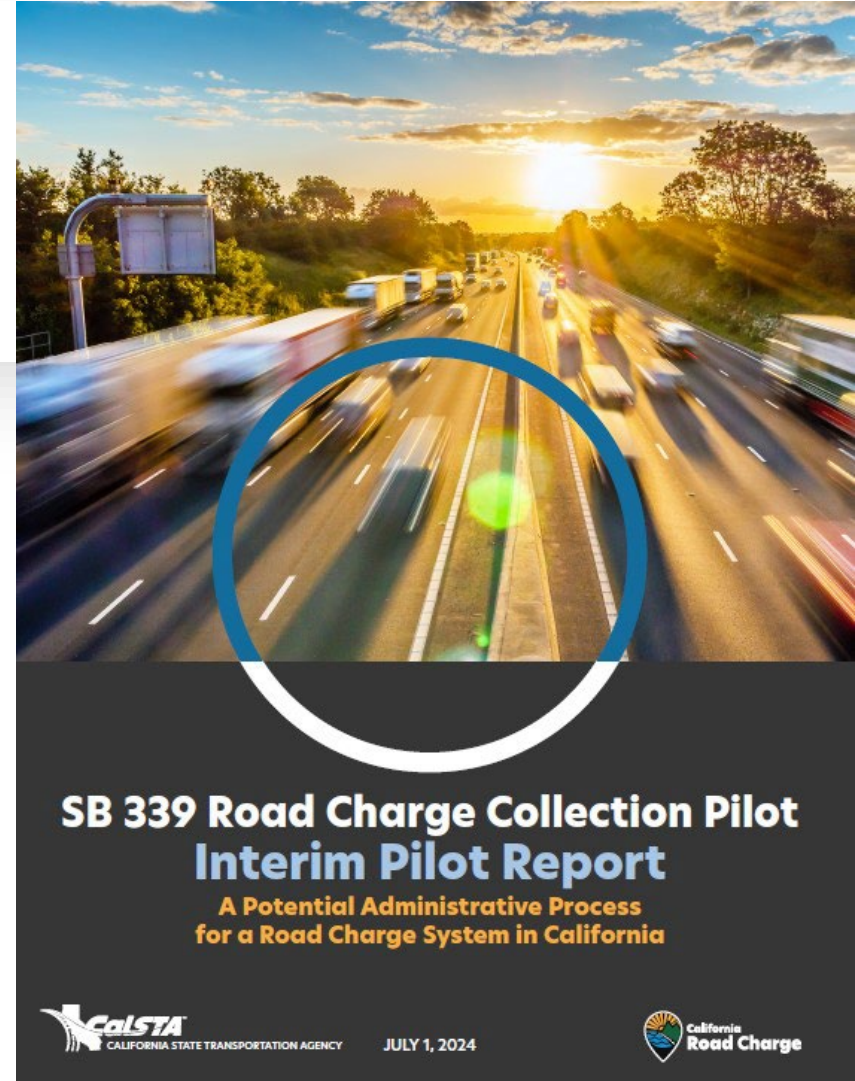
A ROAD CHARGE is an innovative funding mechanism intended to replace the current gas tax, and more accurately ensures that all drivers are paying their fair share to use the road. A ROAD CHARGE allows drivers to support local road and highway maintenance based on how many miles they drive, instead of how many gallons of gas they use.





SB 339 Interim Report

- ▶ Required by SB 339 (Wiener, 2021)
- ▶ Per SB 339's direction to CalSTA to "consult with appropriate state agencies [...] to design a process for collecting road charge revenue from vehicles," the report outlines recommendations for a potential administrative process that the Legislature could consider.



Recommendations

Passenger Vehicle System

- ▶ The **Department of Motor Vehicles (DMV)** could be the lead agency with oversight to implement a passenger vehicles road charge program.
- ▶ As the oversight and taxing agency, DMV would have the responsibility to certify and audit the private, third-party vendors, or Commercial Account Managers (CAM), similar to the DMV's existing business partner process.
- ▶ The CAM would enroll participants, collect mileages, calculate the road charges and fuel tax credits due (if any), submit invoices to vehicle owners, collect the tax amount due from taxpayers, and submit the revenue to DMV.
- ▶ The state would designate multiple certified CAMs, allowing taxpayers to choose what works best for them in terms of account management and reporting options.
- ▶ Multiple types of reporting options would be offered. No location sharing would be required.
- ▶ Collection of road charges can follow the existing enforcement process used by toll agencies in cooperation with the DMV. This system is in place and only needs minor adjustments to incorporate a RUC.



Commercial Vehicle System

- ▶ The **California Department of Tax and Fee Administration (CDTFA)** could oversee a commercial vehicle road charge system.
- ▶ CDTFA is currently the implementing agency for the **International Fuel Tax Agreement (IFTA)**, which is a federally recognized cooperative agreement between the 48 contiguous states of the United States and 10 Canadian provinces to simplify the reporting of fuel used by trucks that operate in more than one state.
- ▶ IFTA began processing commercial vehicle road charges in January 2024 to incorporate the passage of HB 1050 in Indiana, so the basic structure of an interoperable commercial vehicle road charge system is in place.
- ▶ This is consistent with preferences expressed by the trucking industry, incorporating road charge reporting into an existing reporting process.
- ▶ Enforcement processes largely are in place, including at CDTFA.



Questions?



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