Draft 2025 State and Local Transportation System Needs Assessment

March 19, 2025

CALIFORNIA
TRANSPORTATION
COMMISSION

Presentation Outline

- Needs Assessment Overview
- Draft Findings
- Draft Recommendations
- Methodology
- Next Steps

Needs Assessment Overview

Senate Bill 1121 (Gonzalez, 2022)

- Requires Commission to prepare a 10-year statewide transportation Needs Assessment and update every 5 years
- Assess costs to operate, maintain, and grow the statewide multimodal system
- Consider costs to address climate resiliency
- Compare costs against available transportation revenues
- Provide recommendations to address any revenue shortfall

Draft Findings

Needs

$757.5 billion

Revenue

$572 billion

Shortfall

$216.5 billion

Estimated Impact of Declining Fuel Consumption

$31.1 billion

2025 to 2035 Statewide Needs and Revenue Summary

Table E1. Summary of transportation needs (all sources).

Facility	10-year Need ($ billion)
Transit and rail	$351.1
Local roads and streets	$240.7
State highway system	$101.7
Complete streets and active transportation	$34.1
Subtotal	*$727.6*
Tribal transportation (pavements only)[1]	$0.5
Climate (sea level rise & storm surge)[1]	$16.0
Climate (vegetation & wildfire management)[1]	$0.9
Electric vehicle charging infrastructure (medium and heavy-duty vehicles)[1]	$12.5
Total	**$757.5**

[1] Tribal transportation, climate, and electric vehicle charging needs require further analysis to fully quantify.

Table E2. Summary of transportation revenue (from extended needs survey).

Funding Source	Revenue ($ billion)
State	$185.5
Local and regional sales tax	$126.4
Federal	$46.2
Transit[1]	$43.9
Tolls	$26.2
Other local[2]	$143.8
Subtotal	*$572.0*
Estimated impact from declining fuel consumption	-$31.0
Total	**$541.0**

[1] Based on Regional Transportation Plans. Senate Bill 125 report anticipated October 2025.
[2] Mitigation fees, competitive grants, and bonds.

Draft Recommendations: First Principles

- Stakeholder workshops identified several first principles to inform the Policy Recommendations
- The First Principles are the building blocks for identifying important aspects of the statewide transportation system

Draft Recommendations: Sustainable Funding Mechanism

- Preferred Scenario: Phased-Implementation of a Sustainable Funding Mechanism
  - This would require legislative action.
  - A sustainable funding mechanism could take different forms.
- The goal of implementing a new sustainable funding mechanism should be to stop the loss of transportation revenues due to declining fuel consumption.
  - A significant shortfall would remain even if the projected revenue decline was halted, and funding stabilized. Additional revenues are needed to address the identified shortfall.

Draft Recommendations: Other Recommendations

- In preparation of the Needs Assessment, the following areas were identified for further study:
  - **Tribal Transportation Needs** – Recommends the Legislature explore ways to solicit information on transportation needs in tribal communities statewide that recognizes the sovereignty and specific circumstances of individual tribes and provides technical assistance as needed within the process.
  - **Accessible Transportation Needs** - Recommends the Legislature commission a study to supplement the needs identified in regional transportation plans and coordinated transportations to ensure all needs, including those provided by social service agencies that are beyond ADA are captured.
  - **Climate Resiliency Transportation Needs** – Recommends the Legislature identify an ongoing funding source to meet this growing need and provide consistent funding levels once existing state and federal funds are exhausted.

Methodology

- Stakeholder workgroup meetings and workshops (technical and policy focused)
- Interagency Equity Advisory Committee Engagement
- Existing transportation plans and reports
  - State Highway System Management Plan
  - California State Rail Plan
  - Local Streets and Roads Report
  - Regional Transportation Plans
- Survey of local and regional agencies for 10-year revenue projections and needs in Regional Transportation Plans

Next Steps

Updated Schedule:

DATE	MILESTONE
March 3, 2025	Draft 2025 Needs Assessment Released for 30 Day Public Comment
March 20-21, 2025	Draft 2025 Needs Assessment Report Presented to Commission
May 15-16, 2025	Final 2025 Needs Assessment Report Presented to Commission for Approval and Adoption
May 16, 2025	Final 2025 Needs Assessment Report Submitted to California Legislature

Questions?

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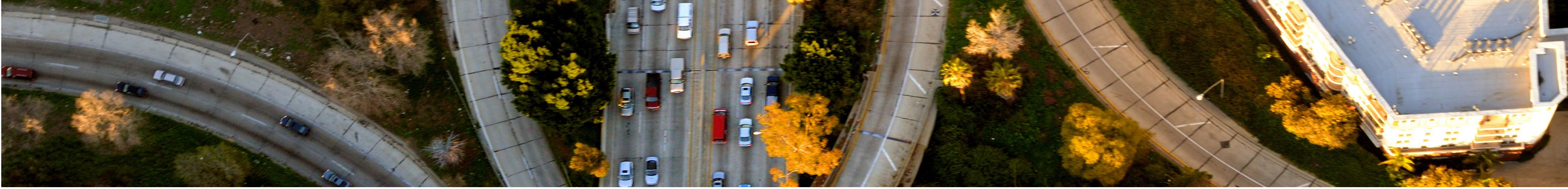

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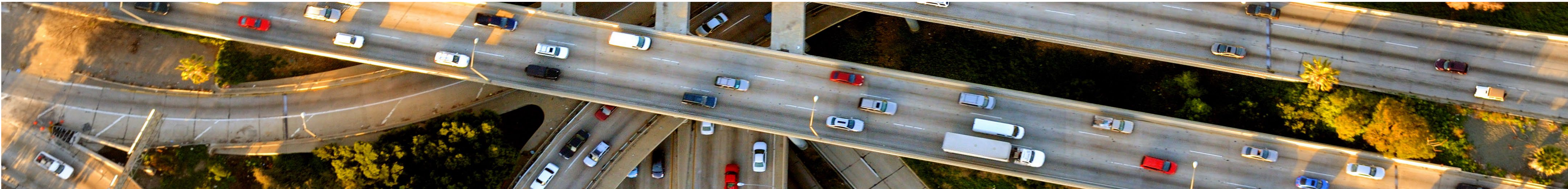
California’s Looming Transportation Funding Crisis: Achieving Sustainable Funding

Presented to the Public Works Officers Institute

Kiana Valentine, Executive Director

March 19, 2025



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Transportation Funding Outlook

- Increased fuel efficiency + ZEV adoption = decreased transportation funding.
- $31.1 billion loss fuel excise tax revenue from increased fuel efficiency and ACC II.
- Federal gas tax receipts will drop by $25 billion by 2035.
- EV will cost less than a comparable ICE vehicle in 2027-2028.
- SB 1 revenue collections and projections continue to grow.

Principles of a Good Tax

Key Findings

SIMPLE

ROBUST

FAIR & EQUITABLE

SUSTAINABLE REVENUE

EFFICIENT

SECURE

INTEGRATED

Developed by aggregating the various inventories, grouping them and combining duplicate ideas. (see Appendix for details)

Essential Considerations & Components

Performance Standards

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CLASS	CRITERION	PERFORMANCE STANDARD
SIMPLE	Know what is owed	Taxpayers should be able to calculate in advance what will be owed.
	Know how to pay	Taxpayers should know in advance how to pay the tax.
ROBUST	No false positives	The tax should not be imposed on parties not engaged in the target activity.
	No false negatives	The tax should not miss parties who are engaged in the target activities.
	Hard to avoid/evade	The tax should limit the scope for evasion.
	Enforceable	There should be sufficient information available to determine the fact and magnitude of liability and current compliance status of a liable party.
EQUITABLE & FAIR	Transparent	The purpose of the tax and the use of the revenues generated should be known to taxpayers.
	Just	A party incorrectly taxed should have access to an effective remedy.
	Vertical equity	Parties should pay in relation to their means/benefits.
	Horizontal equity	Parties in the same circumstances should pay the same.
	Equivalent exchange	The return on tax paid and the effort required to pay the tax should be in proportion to the value of the tax and effort.

Essential Considerations & Components
Performance Standards

CLASS	CRITERION	PERFORMANCE STANDARDS
EFFICIENT	Low administration cost	The tax should be inexpensive for government to operate.
	Low compliance cost	The tax should be inexpensive for parties to comply with.
	Good revenue	The potential revenue should be worth the effort required to gather it.
	Supports choice	The tax should not distort parties' choices.
	Reduces externalities	The tax should encourage parties to internalize the full cost of their choices.
SUSTAINABLE REVENUE	Enduring revenue	The targeted activity should be likely to keep delivering necessary, sufficient and proportionate revenues over time.
	Enduring instrumentality	The instrument should be likely to remain effective at gathering revenues over time.
SECURE	Privacy respecting	Only necessary and sufficient personal private information should be gathered.
	Safe-guarded	Personal private information should be kept secure, and the integrity of liability, compliance and administrative data should be protected.
INTEGRATED	Complementary	The tax works with and alongside other tax and non-tax instruments to optimize coverage and effectiveness without duplication.
	Interoperable	The means of compliance is usable for compliance with similar provisions in other jurisdictions.

Tools to Include
Evaluation Criteria for Replacing Declining Fuel Tax Revenue

There are features of the fuel tax that are considered positive and worthy of retaining

Favorable Features of the Fuel Tax

- Revenue Generation Potential
- Covers all Road Use
- Applies to All Vehicles
- User/Usage based
- Administrative Feasibility

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Options for Sustaining Transportation Funding

- Fuel excise tax
- Fuel sales tax
- Vehicle registration fees, including ZEV fees
- Kilowatt-hour tax
- Road user charge
    - Time-based
    - Distance-based
- Statewide tolling

Literature Review Options & Recommendation

- **Option One: Mixed Array of Fuel Taxes**
  - Keep fuel taxes and implement new fuel tax for electricity and hydrogen.
- **Option Two: Pure RUC Model**
  - Eliminate fuel excise tax and implement distance-based charging for all vehicles.
- **Option Three: Mixed Model**
  - Phase in RUC over time, starting with ZEVs. Keep fuel tax and registration charge for ICE; consider removing ZEV specific registration fees to maintain incentives.

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Next Steps

- Polling and focus groups
- Legislative and administrative outreach & education
- Public outreach & education
- Multi-year, collaborative legislative approach
- Continued research into ZEV RUC, Hybrid vehicles, heavy-duty trucks

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Questions, Feedback & Contact

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California
Road Charge

4 Issues with the Gas Tax

- **1. FUEL EFFICIENCY GAINS**
  Gas-powered vehicles are becoming more fuel efficient, so owners are buying less gas and government receives less fuel tax.
- **2. INCREASE IN ZERO EMISSION VEHICLES**
  Vehicles that do not use gas, such as electric vehicles, do not pay any fuel taxes.
- **3. INFLATION AND LOSS OF PURCHASE POWER**
  Ongoing inflation reduces how much a static gas tax can purchase. In addition, highway construction costs typically increase faster than overall inflation.
- **4. UNEVEN FUEL TAX BURDEN**
  Newer and more expensive vehicles tend to be more fuel efficient. Owners of older, less fuel-efficient vehicles pay more to use the road. The fuel tax burden is uneven and inequitable.

What is a Road Charge?

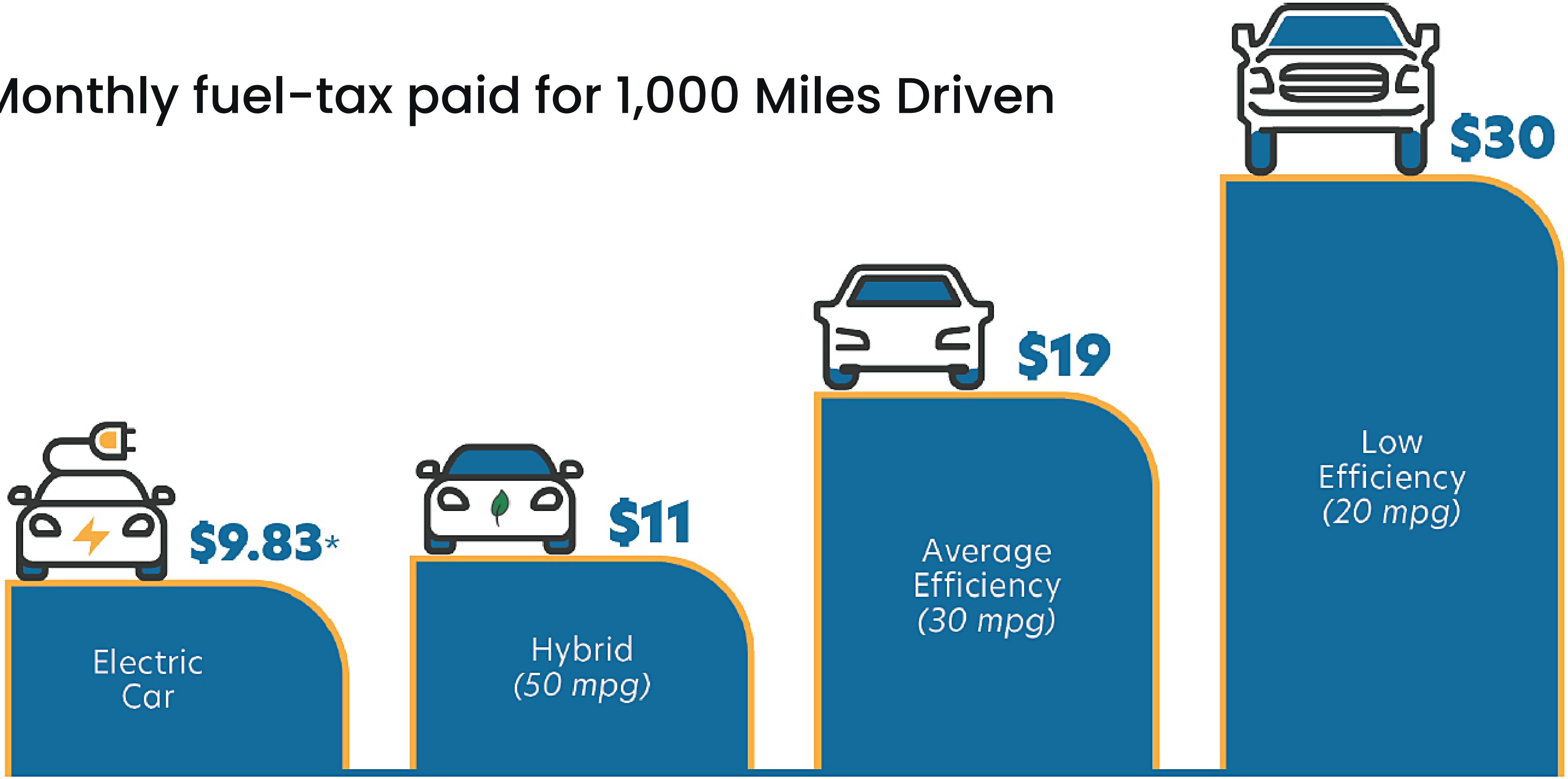
Road Charge is an innovative funding mechanism intended to replace the current gas tax, and more accurately ensures that all drivers are paying their fair share to use the road. Road Charge allows drivers to support local road and highway maintenance based on how many miles they drive, instead of how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

California is studying Road Charge as:

- A replacement for the gas tax
- One per mile rate for all passenger vehicles
- Revenue neutral, not a tax increase
- Aims to stabilize funding, not change behavior
- No change in how funding is spent: existing formulas and programs remain

What drivers pay under the Gas Tax

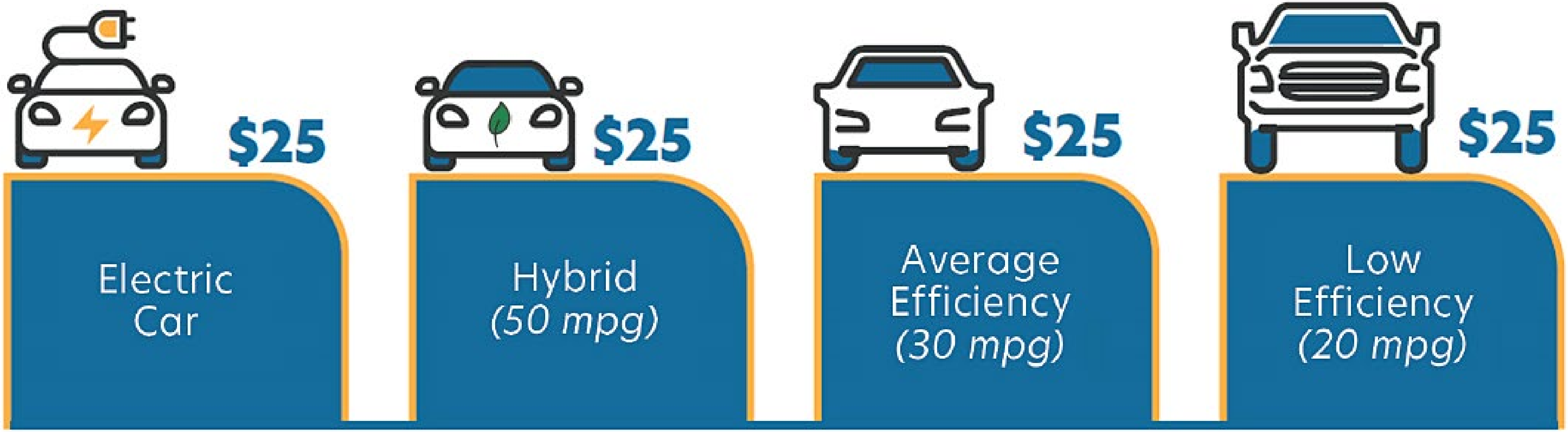
Ex: Monthly fuel-tax paid for 1,000 Miles Driven



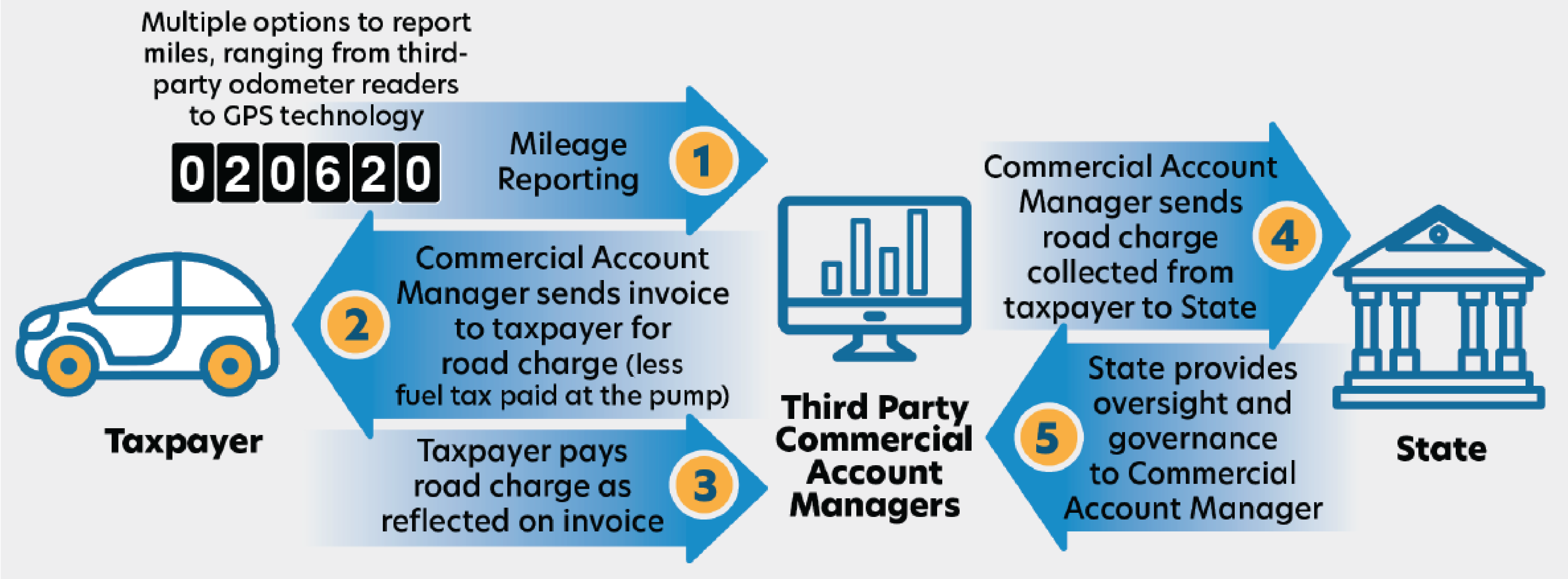
** $118 Road Improvement Fee is assessed on all model year 2020 and later ZEVs*

What drivers pay under Road Charge

Ex: Monthly road charge paid for 1,000 Miles Driven



Commercial Account Manager System



Mileage Reporting Methods

Low Technology Options

- Time Permit
- Mileage Permit
- Odometer Charge

High Technology Options

- Plug-in Device
- Smartphone App
- Built-In Technology

Road Charge Pilot Studies by Caltrans

California's 2017 Pilot

- General Feasibility
- Areas of Future Study

SB 1077 (2014)

Four-Phase Demonstration 2021

- User Experience
- Clearinghouse
- Communications Research

Federal Grant (STSFA)

Public/Private Roads Project 2023

- Technical Test of GPS
- Conversations with Key Stakeholder Groups
- Communications Research

Federal Grant (STSFA)

Revenue Collection Pilot 2024

- Test of Revenue Flow and Administrative Processes
- Communications Research

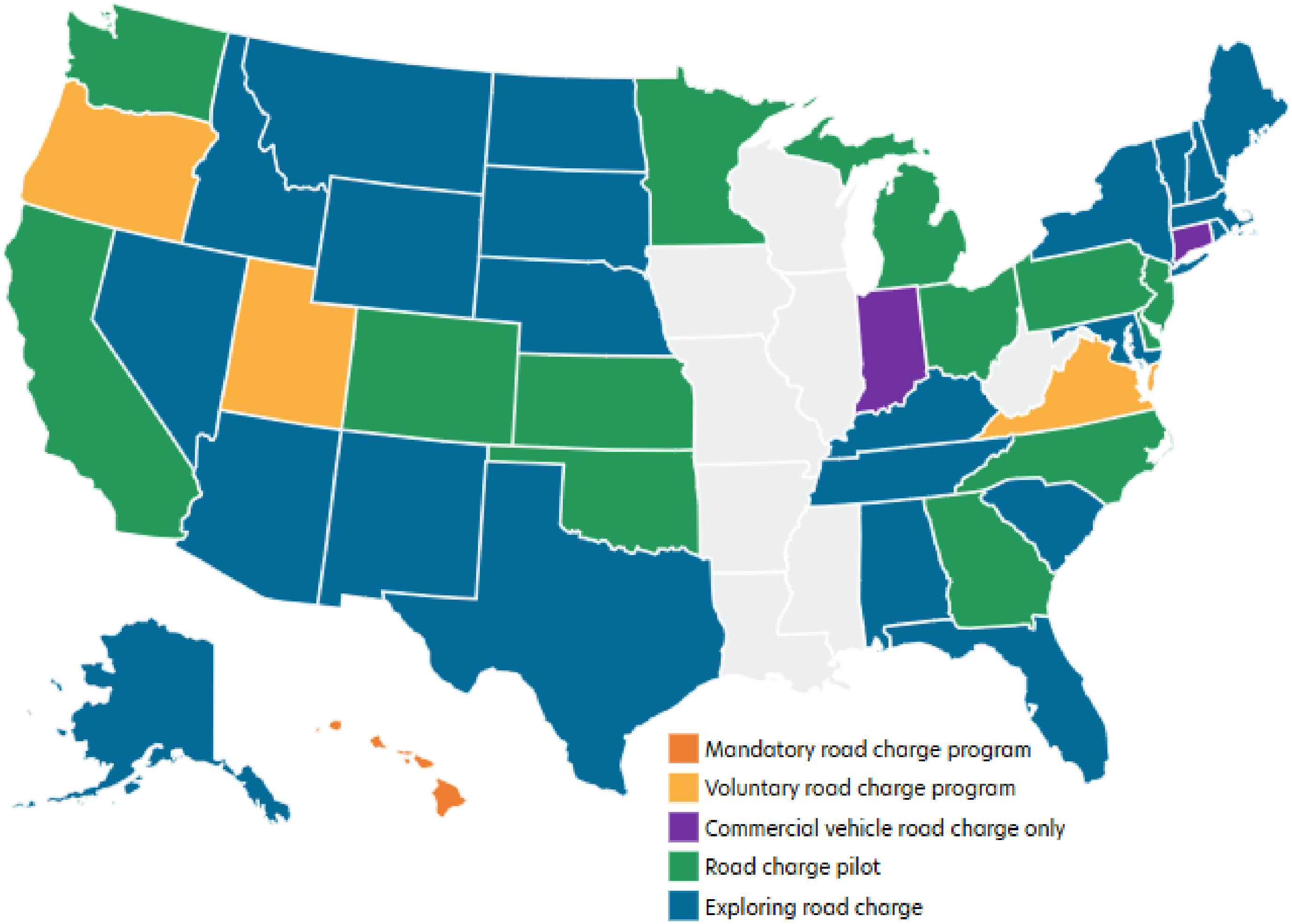
SB 339 (2021)

Stakeholder Focused Research

A shift from Gas Tax to Road Charge shows positive equity gains

- **Disadvantaged Communities**
  https://escholarship.org/uc/item/1pn404q5
- **Rural Drivers**
  https://www.caroadcharge.com/media/vktncxgu/rucamerica_urbrur_finalreport_2022-09-16.pdf
- **Super Commuters**
  https://www.caroadcharge.com/media/h3hjgdse/caltransrucamerica_supercommuters_finalreport_2024-01-11_ada-a11y.pdf
- **Equity Impacts of Road Charges on Commercial Vehicles**
  https://www.metrans.org/assets/research/wei_psr-21-sp81_to%20043_final2.pdf
- **Focus Groups and Surveys**
  (Spanish, Mandarin, Rural, and EV owners)

The National Picture



Congress passed $1.2 Trillion Bipartisan Infrastructure Bill that includes a Road User Fee **National Pilot**

In addition, several nations around the world have implemented distance-based charging including Belgium, Germany, and New Zealand, and many other nations are considering this option.

Questions?

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