



Future-Proofing Transportation Funding: Finding a Sustainable Replacement to the Gas Tax

Presented to the CSAC Housing, Land Use, and Transportation Policy Committee

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November 19, 2024

Transportation Funding Outlook

- State's decarbonization efforts = disruption in 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.

EPA Fuel Economy

- ▶ 2024 Ford F150 Pickup 4WD Auto (S10), 6 cyl, 2.7 L, Turbo
- ▶ Regular Gasoline
- ▶ MPG: 20 combined, 18 city, 23 highway

If the road charge per-mile rate is:

- \$.02 \$.03 \$.04

Total Monthly Road Charge (at \$0.02 per mile)

\$20.00

Total Monthly State Fuel Tax (at \$0.579 per gallon)

\$28.95

**Does not include any federal or local taxes.

EPA Fuel Economy

- ▶ 2024 Toyota RAV4 Hybrid AWD Auto (AV-S6), 4 cyl, 2.5 L
- ▶ Regular Gasoline
- ▶ MPG: 39 combined, 41 city, 38 highway

If the road charge per-mile rate is:

- \$.02 \$.03 \$.04

Total Monthly Road Charge (at \$0.02 per mile)

\$20.00

Total Monthly State Fuel Tax (at \$0.579 per gallon)

\$14.85

**Does not include any federal or local taxes.

EPA Fuel Economy

- ▶ 2024 Nissan LEAF Auto (A1)
- ▶ Electricity
- ▶ MPGe (Miles Per Gallon Equivalent): 111 combined, 123 city, 99 highway

If the road charge per-mile rate is:

- \$.02 \$.03 \$.04

Total Monthly Road Charge (at \$0.02 per mile)

\$20.00

Total Monthly State Fuel Tax (at \$0.579 per gallon)

\$0 for Electric Vehicle

**Does not include any federal or local taxes.

Principles of a Good Tax

Key Findings



SIMPLE



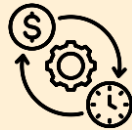
ROBUST



FAIR & EQUITABLE



SUSTAINABLE REVENUE



EFFICIENT






SECURE



INTEGRATED





Essential Considerations & Components

Performance Standards

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

Fuel Tax Replacement Evaluation Criteria

Wanting to find a replacement suggests that 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

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



California Road Charge Program

- CA one of 37 states conducting research and pilot programs to replace the gas tax.
- Primary method under study is a per-mile fee, referred to as a “road user charge” (RUC) (not to be confused with VMT fee or congestion pricing).
- Three have transitioned into full-fledged voluntary programs, mandatory to follow.
- Road Charge Collection Pilot – August 2024
- Financial Impacts of RUC on Super Commuters Study
- Public/Private Roads Project
- Communications Research

Policy Considerations & Obstacles

- Administrative costs
- Technology, privacy, and data security
- Fairness and equity
- Interoperability
- Commercial vehicles
- Public awareness and acceptance
- Rate setting
- Eligible uses
- Vote thresholds and threat of initiative

Strategy & Timeline

- Literature review, CA specific recommendations
- Polling and focus groups
- Develop collateral, key messages
- Legislative and administrative outreach & education
- Public outreach & education
- Organize stakeholder coalition
- Develop legislative proposal and associated strategy

Stakeholder Outreach & Education

- Stakeholder Outreach
 - Regional and Local Government
 - Environmental, Environmental Justice Advocates
 - Business, Logistics, Ports, Trucking
 - Agriculture, Healthcare, Technology
 - Labor
 - Seniors, Disability-rights
 - Public Safety
- Education
 - Government
 - Stakeholders
 - Communities, Motorists, & Voters



Legislative Strategy & Consideration of Other Policy Issues

- **Transportation Funding Issue in 2025**
 - Informational Hearings on Future Funding Issues and Tools
 - SB 1121 Report: Statewide Multimodal Transportation Needs Assessment
 - SB 695 Report: State Highway System Investments and Project Details
 - SB 339 Road Charge Pilot Program Results
- **Other Policy Issues**
 - Cap-and-Trade
 - Low-Carbon Fuel Standard
 - Other Unknown Issues



Questions, Feedback & Contact

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