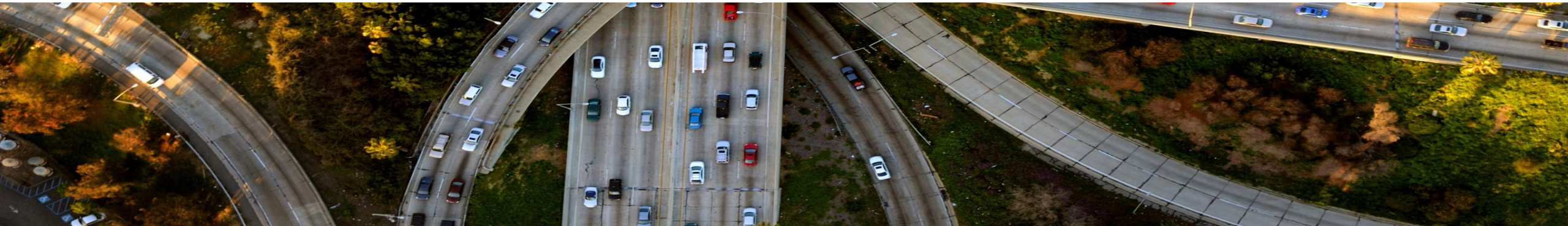


Transportation
CALIFORNIA

Future-Proofing Transportation Funding

California Transit Association Fall Conference | October 30, 2026



The Gas Tax Can't Carry the System Much Longer

$756.8B

10-year need for state and local transportation systems

$215.7B

Projected 10-year funding shortfall

$31B

Projected fuel tax revenue decline over the next decade from fuel economy gains and ZEV adoption

- ZEV owners pay no gas tax; since 2020 they pay an annual Road Improvement Fee ($121) instead
- Average driver of a gas-powered vehicle pays $350 in state gas taxes a year

Transportation CALIFORNIA

Three Pathways to Supplement/Replace the Gas Tax

1

Expanded Fuel Tax

Tax every vehicle energy source; apply per kWh tax to electricity and per kg tax to hydrogen

2

Pure Road User Charge

Replace existing fuel taxes with a per-mile charge; apply to all vehicles regardless of energy source

3

Mixed Model

Keep per-gallon taxes on gas and diesel; levy a per-mile charge on ZEVs

Why not a kWh tax?

70–80% of EV charging happens at home; requires significant infrastructure; easy to evade

Not all ZEVs get the same efficiency; mirrors issue with fuel tax

Some states use kWh for out-of-state ZEVs at public chargers

Transportation CALIFORNIA

SB 339 Pilot: Two Takeaways for California

1

One revenue tool can’t do it all

The pilot found a road charge system cannot achieve California’s climate, equity, and revenue goals simultaneously — policymakers have to choose.

2

Support grows with understanding — but the systems take time

Only 45% view a road charge positively at first; a short explanation moves opinion to a majority. After experiencing a road charging system, SB 339 pilot participants concerns largely went away. For five years, 70%+ have said replacing the gas tax matters.

Where it stands

Draft report, Sept. 25, 2026

Goes to the CTC in December; final report to the Legislature by Dec. 31, 2026

Source: Caltrans, SB 339 Draft Road Charge Collection Pilot Final Report (Sept. 25, 2026)

Transportation CALIFORNIA

Lessons for California from Peer States

Start with vehicles paying little or no fuel tax
All four began with EVs (Oregon and Virginia also high-MPG cars)

Phase in, starting voluntary
Often paired with a flat-fee alternative that caps what drivers pay

Build on DMV registration
Registration renewal is a natural collection and compliance checkpoint

Privacy by design
No state collects trip or location data directly; offer a non-location option

Admin costs fall with scale
High at low enrollment; target is under 10% of revenue at scale

Invest in education early
Explain the why, the what, and how data is protected

The scale gap

Peer programs enroll thousands. California must plan for tens of millions.

Transportation CALIFORNIA

Transportation Funding Town Halls



PURPOSE

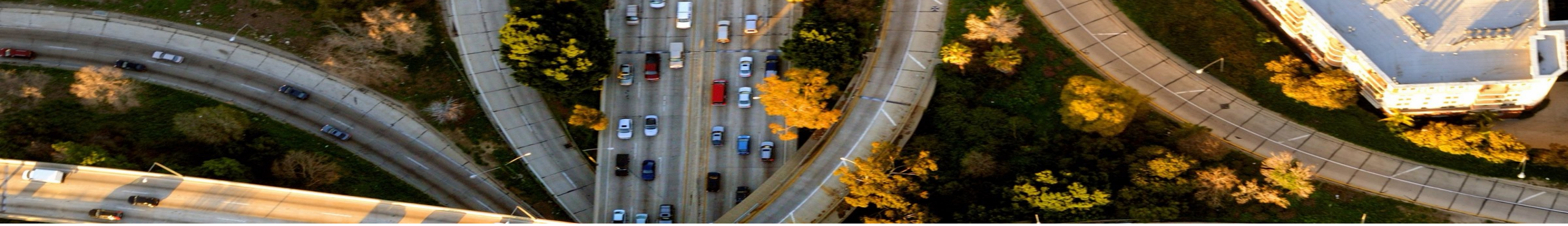
Take the transportation funding conversation out of Sacramento and hear directly from communities about how California should pay for its roads, bridges and transit as fuel tax revenue declines.

Each stop examined how transportation is funded today, reviewed potential alternatives and gathered priorities to guide future legislation.

1	**Fresno** San Joaquin Valley	July 17, 2025 · CSU Fresno
2	**Suisun City** Solano County	Oct. 1, 2025 · Solano Transportation Authority
3	**Watsonville** Central Coast	Nov. 13, 2025 · Watsonville City Hall
4	**Chico** North State	Dec. 11, 2025 · CSU Chico
5	**Redlands** Inland Empire	Oct. 5, 2026 · University of Redlands

Convened by Assembly Transportation Committee Chair Lori D. Wilson

Transportation CALIFORNIA



Transportation
CALIFORNIA

Kiana Valentine

Executive Director, Transportation California

kiana@politicogroup.com | (916) 266-3892

