

MARCH 3, 2025

Overview of Transportation Funding in California

PRESENTED TO:

Assembly Committee on Transportation
Hon. Lori Wilson, Chair

and

Senate Committee on Transportation
Hon. Dave Cortese, Chair



LEGISLATIVE ANALYST'S OFFICE

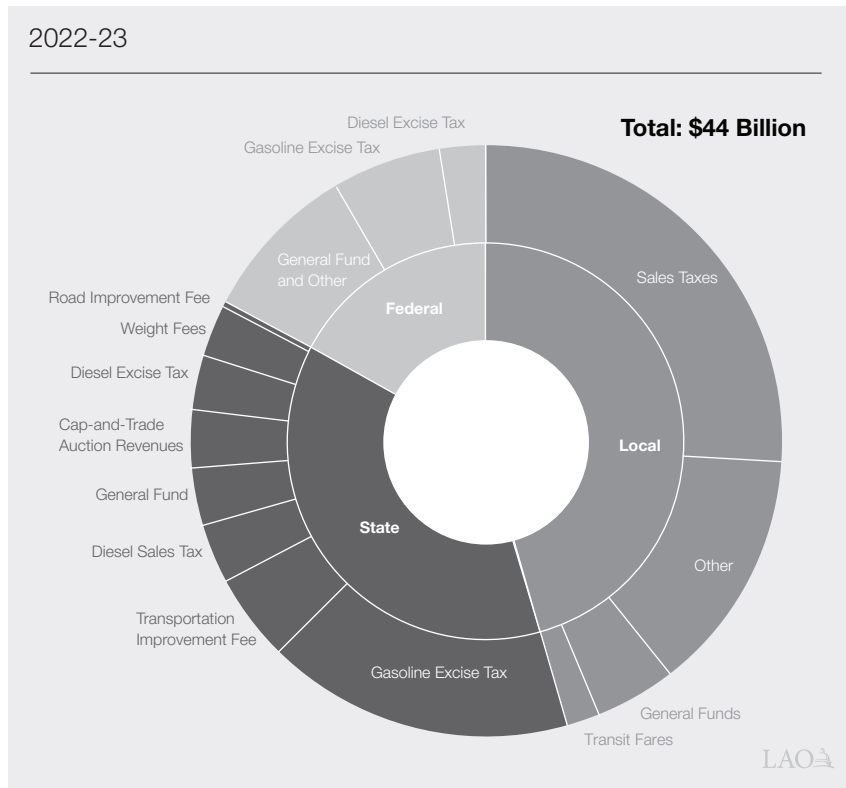
California's Transportation System

The state's transportation system consists of highways, local streets and roads, transit and rail systems, airports, seaports, bicycle routes, and pedestrian pathways. Most public funding for transportation supports three major segments:

- **Highways.** The California Department of Transportation (Caltrans) is responsible for maintaining and rehabilitating the state highway system, which includes about 52,000 lane miles of highways, 13,000 bridges, and numerous other transportation assets such as culverts.
- **Local Streets and Roads.** California contains about 378,000 lane miles of local streets and roads. Cities and counties own and maintain these assets, as well as roughly 12,000 locally-owned bridges and other related roadway infrastructure.
- **Transit and Rail.** California contains over 200 transit agencies which deliver services to the public through buses, trains, ferries, and paratransit vans. Transit systems generally are owned and operated by local governments. The state also is in the process of constructing a high-speed rail line.



Transportation Funding Comes From Various Sources



Transportation funding in California comes from federal, state, and local sources. In 2022-23, we estimate that transportation funding in California totaled \$44 billion.

- **Federal Funds.** Roughly one-fifth of funding comes from the federal government—primarily from federal excise taxes on gasoline and diesel. Federal funds are distributed on both a formula and competitive basis to the state and local governments. The state also suballocates a portion of the federal funds it receives to local governments.
- **State Funds.** Approximately one-third of funding comes from state revenue sources—primarily state fuel taxes and vehicle fees. Most of these funds remain at the state level, with a smaller portion provided to local governments on both a formula and competitive basis.
- **Local Funds.** Slightly less than half of funding comes from local sources—such as local sales taxes and transit fares.



State Transportation Funding Sources

Fuel Taxes and Vehicle Fees

State transportation funding is primarily supported by six different fuel taxes and vehicle fees. These sources are projected to generate \$14.4 billion in 2024-25.

■ *Fuel Taxes*

- The state collects excise taxes on gasoline and diesel. Rates for both taxes are adjusted each July to account for inflation. The state also collects revenues from a 13 percent sales tax on diesel, with 10.5 percent dedicated to state transportation programs. The remaining amount is used for other state and local purposes.

■ *Vehicle Fees*

- The state collects three major vehicle fees to support its transportation system: the transportation improvement fee (TIF), the road improvement fee (RIF), and weight fees.
- TIF is an annual registration fee that varies based on the market value of a vehicle, while RIF is an annual registration fee charged to battery-electric and hydrogen fuel cell electric vehicles that are model year 2020 or later. Both fees are adjusted each January for inflation.
- Weight fees are annual registration fees charged to commercial vehicles based on their weight. Weight fees are not adjusted for inflation.
- Certain other state vehicle fees—such as vehicle registration and driver’s license fees—are used to support the California Highway Patrol and the Department of Motor Vehicles.



State Transportation Funding Sources

(Continued)

State Transportation Funding Is Supported by Several Fuel Taxes and Vehicle Fees

2024-25

	Rate	Estimated Revenues (In Billions)
Fuel Taxes		
Gasoline excise tax	59.6 cents ^a	\$7.9
Diesel excise tax	45.4 cents ^a	1.6
Diesel sales tax ^b	13 percent	1.1
Vehicle Fees^c		
Transportation improvement fee	\$32 to \$227	\$2.4
Road improvement fee	\$118	0.1
Weight fees	\$8 to \$2,064	1.3
Total		\$14.4

^a Per gallon.

^b 10.5 percent is dedicated to transportation purposes. Revenues reflect amount provided to state transportation programs.

^c Per vehicle per year.



State Transportation Funding Sources

(Continued)

Continuous Appropriation From Greenhouse Gas Reduction Fund (GGRF)

- The state continuously appropriates a portion of its cap-and-trade auction revenues to several transportation programs. In 2024-25, the state is estimated to provide \$1.5 billion to transportation programs through the continuous appropriation from GGRF.

General Fund for Transportation Debt Service

- The state pays annual debt service costs on past voter-approved transportation bonds. Weight fee revenues and other miscellaneous revenues are first used to offset annual debt service costs, with the General Fund covering any remaining costs. In 2024-25, the amount paid from the General Fund is estimated at roughly \$390 million.

Recent General Fund and GGRF Augmentations

- Budget packages from 2021-22 through 2023-24 planned for significant multiyear augmentations—\$12.3 billion—for transportation programs funded primarily by the General Fund, with a smaller portion coming from special funds.
- In response to recent budget deficits, the 2023-24 and 2024-25 budget packages made a few modifications to these plans, including various reductions, delays, fund shifts, and cash flow adjustments.
- The 2024-25 budget retained \$11.5 billion for transportation programs across a seven-year period (2021-22 through 2027-28), which represents 93 percent of the multiyear amount originally planned. This includes \$8.2 billion from the General Fund, \$2.3 billion from GGRF, and \$915 million from transportation accounts.
- This funding supports various activities, such as transit and rail capital projects, transit operational relief, port and freight infrastructure, and active transportation projects.



State Transportation Programs

Transportation System Is Supported by Various State Programs

The state supports its transportation system through several programs that fund various types of infrastructure and activities. These include:

- ***Caltrans' Highway Maintenance and Rehabilitation Programs.*** The Maintenance Program supports corrective and preventative maintenance activities, while the State Highway Operation and Protection Program supports capital projects that rehabilitate and reconstruct the state highway system.
- ***Local Streets and Roads.*** The state distributes a portion of its transportation revenues to cities and counties to support local streets and roads.
- ***Transit and Rail.*** The state provides support for transit and rail through several formula programs. Additionally, the state provides competitive funding for capital improvements through the Transit and Intercity Rail Capital Program. The state also provides funding (GGRF and a voter-approved state bond) to the high-speed rail project.
- ***Multimodal.*** The state provides funding through several formula and competitive programs that support transportation improvements across various modes.

Funding for State Transportation Programs Based Largely on Statutory Formulas

- The state allocates funding from its fuel taxes and vehicle fees to different transportation programs and accounts through statutory formulas.
- Formulas largely distribute funding based on established percentages, but in some cases, statute sets aside fixed dollar amounts for certain programs. Statutory allocations vary by fund source, with some supporting specific programs and activities.
- The California Constitution includes restrictions requiring that fuel taxes and vehicle fees be used for specific transportation purposes.

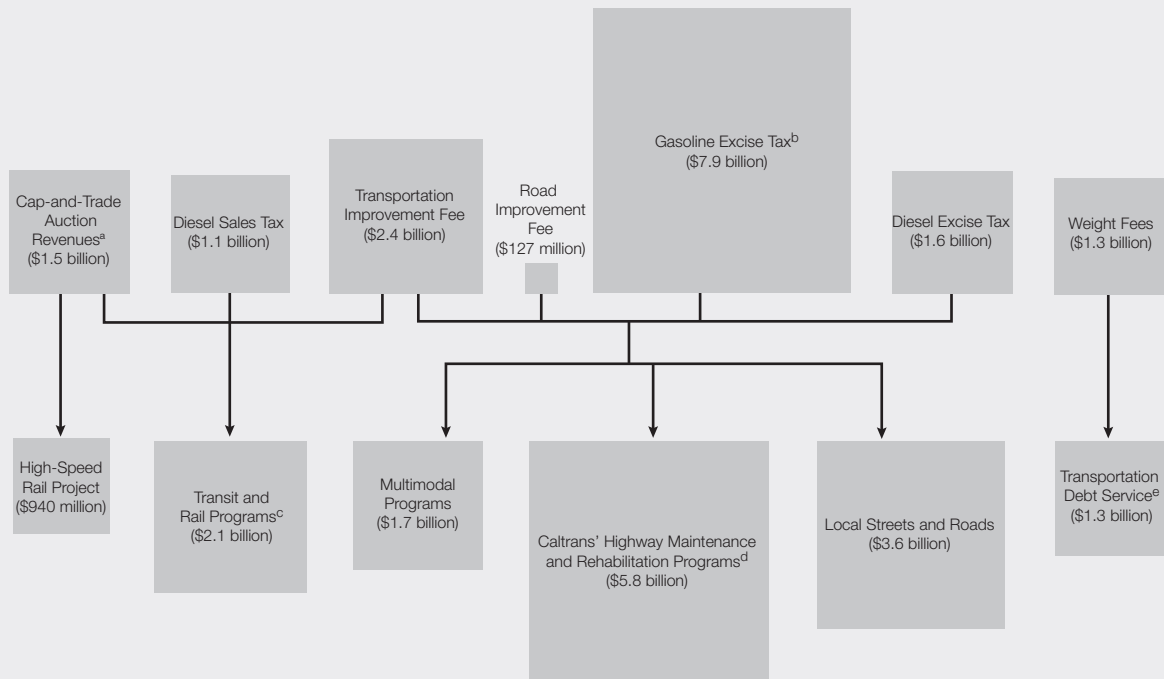


State Transportation Funding and Programs

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Transportation Revenues Are Allocated to Various Programs Based on Formulas

2024-25



^a Only displays cap-and-trade auction revenues that are continuously appropriated to transportation.

^b Not displayed is about \$440 million in funding that is distributed to non-transportation programs to reflect gasoline excise tax revenues collected from non-roadway vehicles, such as off-highway and agricultural vehicles.

^c Includes funding provided to Caltrans for activities related to supporting intercity rail.

^d Includes funding to support Caltrans' administrative programs, such as project planning and general administration.

^e Weight fee revenues currently are used to offset a portion of the debt service costs on past voter-approved transportation bonds.

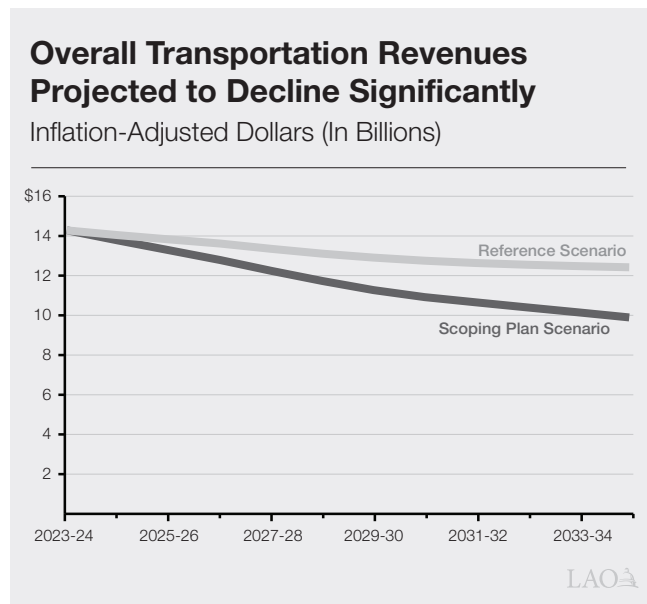
Caltrans = California Department of Transportation.

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Future Impacts to State Transportation Funding and Programs

- California has ambitious greenhouse gas reduction goals, such as reducing emissions to 40 percent below 1990 levels by 2030. Meeting these goals will require changes within the transportation sector, including increasing the adoption of zero-emission vehicles.
- In a recent report, we use the California Air Resources Board’s Scoping Plan and other data to project state transportation revenues under two scenarios: (1) the state implements specific actions to meet its climate goals (Scoping Plan Scenario) and (2) existing policies and trends as of early 2022 continue (Reference Scenario).



- The growing adoption of zero-emission vehicles and increasing fuel efficiency in internal combustion engine vehicles will lead to a decline in state transportation revenues over the long run, particularly from the gasoline excise tax.
- These revenue declines will affect state transportation programs. Funding provided to Caltrans’ highway maintenance and rehabilitation programs and to cities and counties to support local streets and roads will be heavily impacted.

