Equity Principles for a Road Charge

Replacing California's Gas Tax

February 28, 2025

California is at a crossroads. The success of nation-leading clean vehicle policies means that Californians are breathing cleaner air and saving money at the pump. However, reducing fuel consumption could mean a projected drop in gas and diesel tax revenues that support road maintenance and public transportation by **over $4 billion annually**[1] in the next decade.

Urgently seeking a solution to this fiscal gap, California is piloting a Road Charge – a distance-based driving fee – that could replace the gas tax. A Road Charge allows drivers to support road and highway maintenance based on how many miles they drive, instead of how many gallons of gas they use.

---

[1] In a December 2023 report, the LAO states “On net, we estimate that if the state undertakes the steps envisioned in the Scoping Plan to reduce GHGs, annual state transportation revenues will decline by $4.4 billion (31 percent) over the next decade as compared to current levels.” https://lao.ca.gov/Publications/Report/4821

Designed properly, the creation of a Road Charge presents a rare opportunity to rebalance our transportation system and help achieve critical environmental and social goals set by the state.

California needs to reduce vehicle traffic to improve mobility, lower greenhouse gas emissions and reach our state-mandated climate and air quality goals. Equity and affordability must also be embedded in the design and implementation of a Road Charge. Under the current system low-income drivers bear an unfair burden, paying a disproportionate share of their income on gas taxes and overall transportation costs.

If implemented as a flat rate without changes to the allocation of transportation revenues, the Road Charge could undermine progress toward California's climate, equity, and affordability policy goals.

Members of the ClimatePlan network have worked on road pricing in several regions and served on pricing advisory committees at the state level. Together we have developed the following policy recommendations to highlight opportunities to advance equity.

Policy Recommendations

1) Enshrine equity in the fee structure by considering income.

In its current form, the gas tax is regressive – low-income drivers pay a far higher percentage of their income in fuel taxes than higher-income people. Moreover, low-income drivers increasingly live farther from where they work and may have less flexibility to work from home or utilize other transportation options. **Replacing the gas tax with a flat Road Charge risks extending this disproportionate affordability burden on low-income drivers and drivers without access to transportation alternatives.**

The Road Charge should be designed to promote equity and affordability where the gas tax fails. The state should implement a variable rate model where road users pay different amounts per mile depending on their incomes, discounting the rate for low- and very-low income drivers. As an example, the Bay Area's MTC initiated a 50% low-income discount on express lanes on I-880 to make those lanes more affordable for low-income earners and improve access to opportunities.

It is also essential to reduce barriers to getting the discounts with flexible, automated, and multi-path income verification and processes for undocumented individuals to participate. Caltrans' California Integrated Travel Program (Cal-ITP)[2] with the CA Department of Technology is developing streamlined technology tools that could be leveraged such as contactless fare payment systems and a simplified digital verification process for people with disabilities, veterans, and others eligible for discounts on public transit.

[2] Cal-ITP

2) Incentivize cleaner, safer vehicle use within the fee structure.

Larger and heavier vehicles increase wear and tear on streets and are more dangerous to people bicycling and walking. Internal combustion engines, especially those with poor fuel efficiency, create more pollution and greenhouse gas emissions. The effects of poor air quality, street disrepair, traffic violence, and climate hazards are usually felt first and worst by low-income communities and communities of color.

The Road Charge presents an opportunity to incentivize Californians to drive cleaner, safer vehicles by charging higher-income drivers with low-efficiency and larger vehicles at a higher rate. Since a fee structure based on vehicle size and efficiency will be regressive, especially as low-income communities are transitioning more slowly to zero emission vehicles, it is critical that this fee structure is paired with the income-based variable fee recommended above.

A study should be conducted to model variable rates for vehicle size and fuel efficiency to determine an effective pricing strategy and put to the test in the next Road Charge pilot.

3) Prioritize investments aligned with CAPTI with revenues from the fee.

California needs a multimodal approach to transportation to achieve the state's climate goals and offer safe, affordable transportation options. Road Charge revenue should change the paradigm of car-centric transportation funding and prioritize investments based on CalSTA's Climate Action Plan for Transportation Infrastructure[3] in fix-it-first road maintenance and alternatives to driving such as walking, biking, transit infrastructure and transit operations.

Additionally, California's low-income communities and communities of color continue to be underserved and overburdened by the state transportation system, producing stark disparities in transit, safety, and health outcomes. Revenue generated from a Road Charge should set an investment target in disadvantaged communities to address existing transit gaps, increase access to opportunity, promote sustainable development, and avoid harms -- especially from road expansions that support sprawl and industrial development. All programs funded with Road Charge revenue should provide direct, meaningful, and assured benefits for low-income households and disadvantaged communities.

Finally, Road Charge should be implemented to significantly increase transparency and accountability in transportation expenditures so communities and legislators can more clearly decipher how and whether investments are advancing California's goals.

[3] CAPTI: Climate Action Plan for Transportation Infrastructure

Helpful Resources

- For more information and guidance on how to implement equitable road pricing strategies, see TransForm's Pricing Roads Advancing Equity Report and Toolkit.
- The Greenlining Institute wrote two blogs about the San Francisco Congestion Pricing study's equitable design and community engagement strategies.
- SPUR Report: Value Driven: *How pricing can encourage alternatives to driving alone and limit the costs that driving imposes on others*
- Pricing Options for Equitable Mobility (POEM) by Portland.gov
- ClimatePlan: What You Need to Know on Road Pricing

Contact

The ClimatePlan network and other transportation advocates are ready and willing to work with decision makers and implementing agencies to ensure the Road Charge is designed and executed with equity, justice and the environment in mind. ClimatePlan, founded in 2007, is a network of organizations in California focusing on issues that intersect transportation, land use, and climate policy with a strong equity focus.

Please contact Zack Deutsch-Gross, Policy Director for Transform (zackdg@transformca.org), and Sofia Rafikova, Policy Advocate with Coalition for Clean Air (Sofia@ccair.org), for more information.