

# Equity Principles for the CA Road Charge

## Replacing California's Gas Tax

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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. But reducing fuel consumption will also mean a drop in gas and diesel tax revenues that support road maintenance and public transportation. These critical funds could see an annual shortfall of **over \$4 billion**<sup>1</sup> as electric vehicles become ubiquitous.

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

**The creation of a RUC 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 lower greenhouse gas emissions and reach our state-mandated climate, air quality and equity goals. Designed properly, a RUC can be one of the most effective tools in accomplishing this goal.

However, equity must be embedded in the design and implementation of these solutions. 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.

Members of the ClimatePlan network have worked on road pricing in several regions and serve on pricing advisory committees at the state level. Together we have developed the following policy recommendations to highlight opportunities to advance equity. We have included policy recommendations, equity considerations, and information gaps associated with each opportunity.

***“We will not effectively resolve inequities in our transportation system unless improving equity is a major project goal for road pricing proposals. Such concerns need to help drive and lead the agenda, not follow it.” –  
TransForm: Pricing Roads, Advancing Equity***

## Policy Recommendations

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

The RUC is an opportunity to price the transportation system more fairly. 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. Some policymakers have proposed

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<sup>1</sup> 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>

simply replacing the gas tax with a flat RUC. This runs the risk of repeating past harms by placing a disproportionate burden on low-income drivers and drivers without access to transportation alternatives.

The RUC should be designed to promote equity where the gas tax fails. The state should implement a variable rate model, where road users pay different amounts depending on their incomes, to ensure low-income drivers are not disproportionately burdened by driving to their jobs, grocery stores, and schools. This is particularly important because low-income drivers increasingly live farther from where they work and may have less flexibility to utilize other transportation options. A variable rate will support a future transportation system that is more equitable and just. Factors such as lack of viable transportation alternatives should also be taken into account.

We should explore what regions may be considering. For example, the Bay Area's MTC recently initiated a 50% low-income discount on express lanes on I-880 to assess whether making those lanes more affordable for low-income earners will improve their access to opportunities. SFMTA considered a full 100% discount for very-low income drivers as part of their Downtown Congestion Pricing Study. A variable rate with discounts where low- and very-low income drivers pay small to no fees will support a future transportation system that is more equitable and just.

It is also essential to reduce barriers to getting the discounts, with flexible, multi-path income verification and processes for undocumented individuals to participate.

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

The environmental, social, and fiscal impacts of driving vary depending on the vehicle. Larger vehicles and heavier vehicles increase wear and tear on streets and are more dangerous for bicycles and pedestrians. Internal combustion engines, especially those with poor fuel efficiency, result in more pollution and greenhouse gas emissions. All of these harms – poor air quality, street disrepair, traffic violence, climate hazards – are felt first and worst by low-income communities and communities of color.

The RUC is an opportunity to incentivize Californians to drive cleaner, safer vehicles. The state should consider a RUC fee that charges upper-income drivers with low-efficiency and larger vehicles at a higher rate. Since this fee will be regressive – especially as low-income communities are transitioning more slowly to zero emission vehicles – it is critical that the fee is paired with the income-based variable fee recommended above.

A study should be conducted to model a range of possible variable rates for income and fuel efficiency would be valuable in determining the most effective pricing strategy. This should then be put to the test in the next round of RUC pilot projects.

### **3) Prioritize funding for “Core Four” priorities 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. RUC revenue should prioritize CalSTA’s current “Core Four” goals of safety, equity, climate action and economic prosperity by investing RUC revenues in road maintenance as well as walking, biking, transit infrastructure and transit operations that help reduce congestion and pollution.

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. Therefore, revenue generated from a RUC should set an investment target in the communities most impacted by historic underinvestment and exclusion, in a manner that delivers benefits, addresses existing transportation and transit gaps, increases access to opportunity, promotes sustainable development, and avoids harms – especially from continued road expansions that support sprawl and industrial development. For many programs that get revenue from the RUC, they should disproportionately provide direct, meaningful, and assured benefits for low-income households and disadvantaged communities.

Additionally, there should be significant transparency and accountability in RUC expenditures so communities and legislators can clearly see how and whether these investments are advancing our core goals.

### **4) Support regional efforts to implement the RUC and alleviate traffic congestion.**

Several regional transportation plans in California call for the implementation of pricing to help meet climate, equity and other goals. We are in a pivotal moment where the state should take initiative to support regional and local governments in implementation. Streamlined policy initiatives, equity goals, and technology will ease and improve this transition.

For example, [Caltrans’ California Integrated Travel Project](#) has provided streamlined technology tools such as contactless fare payment systems and dashboards to track transit ridership. There is an opportunity for similar leadership which would build capacity across the state and particularly aid smaller jurisdictions with fewer resources to implement a RUC. This is especially important to help lower the cost of RUC operations and administration, potentially by allowing regions to use the same technology.

A RUC can help accomplish the congestion reduction goals often ascribed to highway widening, while avoiding many of the environmental and social harms of those expansions. The state should design the RUC to act as a model for regions that are increasingly looking for better ways to reduce traffic congestion.

## Closing

Transportation planning decisions have been made for decades without consideration for – and often at the expense of – low-income and BIPOC communities. A well-designed RUC can not only help us achieve our climate goals by reducing VMT and GHG emissions, but also set a new course for an equitable society where everyone pays their fair share and simultaneously can access jobs, schools, grocery stores, community centers, and other services easily, safely, and affordably.

The ClimatePlan network and other transportation advocates are ready and willing to work with decision makers and implementing agencies to ensure the RUC 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.

## 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:](#)
- [Legislative Analyst Report](#), Dec. 2023, shows how transportation revenues will decline, in part due to California’s climate policies, and options for new revenues..
- Mineta Transportation Institute Research: [National Survey Synopsis: What do Americans Think about Federal Tax Options to Support Transportation?](#)
- [Understanding COVID-19’s Impact on Local Transportation Revenue - A Mid-Crisis View from Experts \(2022\)](#)
- [How Do California’s Local Governments Fund Surface Transportation? A Guide to Revenue Sources \(2021\)](#)
- [Investing in California’s Transportation Future: Public Opinion on Critical Needs \(2020\)](#)
- [Pricing Options for Equitable Mobility \(POEM\)](#) by Portland.gov
- [ClimatePlan: What You Need to Know on Road Pricing](#)

Nailah Pope-Harden  
ClimatePlan

Eli Lipmen  
Move LA

Zack Deutsch-Gross  
TransForm

Hana Creger  
Greenlining Institute

Jonathan Matz  
Safe Route Partnership

Matthew Baker  
Planning Conservation League

Kyle Heiskala  
Environmental Health Council

Sofia Rafikova  
Coalition for Clean Air

David Diaz  
Active San Gabriel Valley

Marc Vukceovich  
Streets for All

Julian Cuevas  
PolicyLink

Marven Norman  
Center for Community Action and  
Environmental Justice

Rita Clement  
San Diego 350

Kevin Shin  
California Walks

Corinna Contreras  
Climate Action Campaign

Olivia Seidman  
Leadership Counsel for Justice and  
Accountability

Nile Mallory  
California Environmental Justice Alliance

Bob Allen  
Urban Habitat

Laura Tolkoﬀ  
SPUR

Zak Accuardi  
Natural Resources Defense Council

Jamie Pew  
NextGen California