

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: March 20-21, 2025

From: TANISHA TAYLOR, Executive Director

Reference Number: 4.5, Information

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Subject: Draft 2025 State and Local Transportation System Needs Assessment

Summary:

Staff will present the Draft 2025 State and Local Transportation System Needs Assessment (Needs Assessment) to the California Transportation Commission (Commission). Senate Bill (SB) 1121 (Gonzalez, Chapter 508, Statutes of 2022), requires the Commission, in consultation with government partners and other stakeholders, to prepare a Needs Assessment that analyzes state and local transportation system needs and expected revenue over a ten-year period. The Needs Assessment also provides recommendations for policy solutions to close the gap between California's transportation system needs and expected revenue, specifically related to the replacement of the State's gas tax with a sustainable funding mechanism.

The draft 2025 State and Local Transportation System Needs Assessment is available on the Commission's [website](#).

Since August 2023, staff engaged with stakeholders to develop the draft 2025 State and Local Transportation System Needs Assessment by hosting eleven stakeholder workgroup meetings over the course of 15 months. In addition to stakeholder workgroup meetings, staff held several workshops, including the Policy Recommendations Workshops, which helped inform the development of recommendations for the draft 2025 State and Local Transportation System Needs Assessment report. Staff also held working sessions with Metropolitan Planning Organizations and Regional Transportation Planning Agencies to review information gathered from regional transportation plans and coordinated with the California Department of Transportation (Caltrans) Division of Budgets. Staff met with, presented, and provided updates to the Interagency Equity Advisory Committee, Native American Advisory Committee, Seamless Bay Area, ClimatePlan, and other advocacy organizations during the development of the draft 2025 State and Local Transportation System Needs Assessment.

Since the preliminary revenue and needs were initially presented in the Interim Needs Assessment the anticipated needs, revenues, and shortfall numbers were reviewed, vetted, and finalized with partner agencies prior to the release of the draft 2025 State and Local Transportation System Needs Assessment on March 3rd.

The total transportation funding needs over the next 10 years are estimated to be approximately \$757.5 billion as identified in the draft 2025 State and Local Transportation System Needs Assessment. The projected statewide 10-year revenue is approximately \$572 billion.

However, the projected revenue is anticipated to decline due to a reduction in gasoline and diesel consumption resulting from the State's ongoing work to reduce air pollution by encouraging cleaner vehicles on the road in the future. It is anticipated that this may result in a decline in revenue of up to \$31 billion over the next decade, reducing the anticipated 10-year revenue to \$541 billion, with an anticipated shortfall of \$216.4 billion.

To address the anticipated 10-year \$216.4 billion shortfall, the draft 2025 State and Local Transportation System Needs Assessment recommends implementing a sustainable revenue mechanism as a full replacement to the state fuel excise tax. The first focus of implementing a new sustainable funding mechanism should be to stop the loss of transportation revenues as this would help stabilize transportation funding and allow California to remain competitive and make progress toward achieving the state's safety, climate, equity, and economic goals.

The draft 2025 State and Local Transportation System Needs Assessment recommends implementing a phased-in approach for a sustainable funding mechanism. This would require legislative action. Indexing the sustainable funding mechanism to inflation would be critical to ensuring purchasing power for transportation needs do not erode. Importantly, the sustainable funding mechanism would be a replacement of the state fuel excise tax, which would ultimately be phased out.

Phasing in a sustainable funding mechanism is recommended because it allows time to address any potential challenges and provide clear steps on the transition between the replacement of the gas tax with the chosen sustainable funding mechanism.

The 2025 State and Local Transportation System Needs Assessment recommends the following areas for further study:

- **Tribal Transportation Needs:** The transportation needs of tribal communities are not as well documented as those of other communities. There is no existing mechanism for these needs to be aggregated and communicated to the state and there are resource challenges within tribal communities to identify transportation needs. These needs vary by tribal community and, in some cases, can be supported with existing state transportation programs. The Legislature should explore ways to solicit information on transportation needs in tribal communities statewide that recognizes the sovereignty and specific circumstances of individual tribes and provides technical assistance as needed within the process. This information could be used to further inform future State and Local Transportation System Needs Assessments.
- **Accessible Transportation Needs:** Many older adults and individuals with disabilities are unable to access or use private vehicles or conventional public transportation. Accessible transportation for those experiencing mobility challenges is critical to the health and welfare of these individuals. These needs and services are addressed across multiple sectors of government as well as private social service agencies. The Legislature should commission a study to supplement the needs identified in regional transportation plans and Coordinated Public Transit and Human Services Transportation Plans to ensure all needs, including those provided by social service agencies that are beyond Americans with Disabilities Act requirements are captured.

- **Climate Resiliency Transportation Needs:** The Legislature established the Local Transportation Climate Adaptation Program in 2022, funded with a combination of one-time state funds and federal formula funds from the Promoting Resilient Operations for Transformative, Efficient, and Cost-Saving Transportation (PROTECT) Program. With the expiration of the one-time state funds, and the federal authorization for the federal PROTECT formula funds ending in federal fiscal year 2026, the program will be left without a funding source for new projects after the current funding cycle concludes. It is recommended that the Legislature identify an ongoing funding source to meet these growing needs and provide consistent funding levels.

Commission staff welcomes feedback on the assessment with a particular focus on the areas identified for further study that may be incorporated in the final 2025 State and Local Transportation System Needs Assessment, or for the next update in five-years.

The Draft 2025 State and Local Transportation System Needs Assessment was published on March 3, 2025, which initiated a 30-day public comment period. Public comments can be emailed to Planning@catc.ca.gov through April 1, 2025.

DATE	MILESTONE
March 3, 2025	Draft 2025 State and Local Transportation System Needs Assessment Released for 30-Day Public Comment Period
March 20-21, 2025	Draft 2025 State and Local Transportation System Needs Assessment Presented to Commission
May 15-16, 2025	Final 2025 State and Local Transportation System Needs Assessment Presented to Commission for Approval
May 16, 2025	Final 2025 State and Local Transportation System Needs Assessment Submitted to California Legislature

The 2025 State and Local Transportation System Needs Assessment will highlight the need for adequate funding to address the ongoing maintenance and operations of California's existing transportation system, including transit operations. Coupled with the need for adequate funding, the 2025 State and Local Transportation System Needs Assessment focuses on the need to address future growth, all while continuing to grow the State's economy, promote social equity and accessibility, protect the environment, and provide safe mobility options for all users. California's multimodal transportation infrastructure is critical to the national and global economy and the State faces challenges such as climate change mitigation and adaptation, and declining gas tax revenues.

Background:

SB 1121 directs the Commission, in consultation with the California State Transportation Agency and the California Department of Transportation, to prepare and regularly update a Needs Assessment of the cost to operate, maintain, and provide for the necessary future growth of the state and local transportation system for the next 10 years.

The Commission is required to forecast the expected revenue, including federal, state, and local revenues, needed to pay for the costs identified in the Needs Assessment. The Commission is also required to forecast any shortfall in revenue to cover the cost, and to develop recommendations on how any shortfall should be addressed. To determine the cost and provide for the necessary future growth of the state and local transportation system, the Commission is required to include the costs of transportation system improvements included in Regional Transportation Plans, the California State Rail Plan, and the State Highway System Management Plan, and other documents as deemed appropriate.

Any analysis of necessary future growth must be consistent with the transportation vision and preferred scenario included in the most recent California Transportation Plan. The Needs Assessment will be updated and submitted every five years beginning in 2025.