

## ASSEMBLY THIRD READING

AB 1421 (Wilson)

As Amended January 5, 2026

Majority vote

**SUMMARY**

Requires the California Transportation Commission (CTC), in consultation with the Transportation Agency (CalSTA) and other specified state, local and private entities, to consolidate and prepare research and recommendations related to a road user charge or a mileage-based fee system, which the CTC is to submit in a report to the Legislature by January 1, 2027.

**Major Provisions**

- 1) Requires the CTC to prepare and submit a report to the appropriate policy and fiscal committees of the Legislature by January 1, 2027 that covers:
  - a) Current and future inequities related to low-income drivers commuting farther in less efficient vehicles;
  - b) The impact of a weight-per-mile fee for commercial and electric vehicles on the motor vehicle industry; and,
  - c) Regional and state solutions for implementing a road user charge in California, including capturing out-of-state vehicles.
- 2) Requires the research and recommendations to incorporate existing findings from state and academic sources including the report CalSTA prepared pursuant to Section 3092.5.
- 3) Requires the CTC to consult with state agencies including but not limited to, the California Department of Transportation, the Department of Motor Vehicles, the California Department of Tax and Fee Administration, and the Controller, in addition to representatives of local governments, regional transportation planning agencies, privacy and data security experts, equity and environmental justice organizations, academic researchers, transportation user groups, and organizations representing zero-emission vehicle owners and manufacturers.

**COMMENTS**

Construction of the California's state highway system began in 1912 and today its transportation network today consists of approximately 394,383 miles of roadway, including 51,326 miles within the State Highway System, with the remainder being rural and urban roads. The state also has 25,737 bridges. California's highway system is the ninth largest in the country and needs significant and stable funding to maintain the infrastructure. California's network of roads, highways, and bridges are foundational to the state's transportation infrastructure which supports multimodal forms of travel including personal vehicles, public transit, rail, bicycle and pedestrian lanes, and freight.

Transportation funding in California comes from federal, state, and local sources and was estimated to total \$44 billion in 2022-23. 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

suballocates a portion of the federal funds it receives to local governments. 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. Slightly less than half of funding comes from local sources—such as local sales taxes and transit fares.

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 as shown in the figure below. In recognition of the increased need for additional funding to maintain California's transportation infrastructure, in 2017, the Legislature passed SB 1 (Beall), Chapter 5, Statutes of 2017, the Road Repair and Accountability Act (SB 1). SB 1 is forecast to provide roughly \$6 billion in 2023-24 for road maintenance and additional funding for transit and safety projects. SB 1 also provided for an annual adjustment for inflation.

The gas tax is the primary source of state funding for the state's transportation infrastructure system. Article XIX of the California Constitution mandates that the gas tax revenue be used exclusively for "research, planning, construction, improvement, maintenance, and operations of public streets and highways (and their related public facilities for nonmotorized traffic)" and the "research, planning, construction, and improvement of exclusive public mass transit guideways (and their related fixed facilities)." In addition to funding road maintenance, the gas tax funds transportation programs such as the State Highway System and Local Streets and Roads programs that support state, regional, and local government transportation projects.

Advancements in the automotive industry and a desire to reduce the dependence on fossil fuels have led to the development of more fuel-efficient vehicles, such as hybrids and zero-emission vehicles (ZEVs). Recently, California's goals to reduce greenhouse gas (GHG) emissions have driven the adoption of more fuel-efficient vehicles, which has reduced fuel consumption. 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.

According to a preliminary estimate by the California Transportation Commission, the state and local communities are facing a \$31 billion shortfall over the next 10 years due to declining gas tax revenues.

This problem is not unique to California. For example, Connecticut estimates that their gas tax revenues fell by 4.2% between 2012 and 2021 due primarily to vehicle electrification. West Virginia estimates that their gas tax revenue will fall 11–20% by 2030 and 31–50% by 2050 due to vehicle electrification. A recent study in Michigan estimated that despite ZEVs representing only 6% of the new vehicle market, vehicle electrification resulted in a funding deficit of \$20.8 million in 2022. That funding deficit is expected to increase to over \$95 million per year by 2030.

In addition to the loss of revenue, the transition to cleaner and more fuel-efficient vehicles is not

benefitting all income groups equally. Lower-income individuals tend to drive older, less fuel-efficient vehicles and sometimes have to commute farther to work. Moreover, higher income persons have purchased a disproportionate share of ZEVs in the state. As a result, lower-income populations over time will pay more in gas taxes than moderate and high-income individuals. SB 1 included a transportation improvement fee that EV owners pay as part of the vehicle licensing process. However, this fee is relatively small compared to the average annual amount a combustion-engine vehicle's owner pays in gas taxes in a year. This disparity emphasizes the critical need to reevaluate the current gas tax model.

This bill establishes a focused, research-driven process to inform future transportation funding decisions to replace declining gas tax revenues in a fair, sustainable and effective way to ensure the state's transportation infrastructure improvements meet Californians' needs.

### **According to the Author**

"Robust and seamless multimodal transportation infrastructure is a cornerstone of economic opportunity. Nearly every trip begins on a city street or county road – whether by foot, bicycle, vehicle or mass transit. Our transportation system is critical for the movement of goods and services, supporting the world's fourth-largest economy and creating thousands of good-paying jobs statewide. As California leads the transition to fuel-efficient and zero-emission vehicles, we must modernize our transportation funding system. Most Californians agree that users of state and local roads should contribute to their maintenance, but the state's funding system for critical transportation improvements is becoming increasingly unfair, unaffordable, and unreliable. We need to continue to examine proposed solutions to address the state's funding needs in a way that is fair, affordable, transparent, and built to last."

### **Arguments in Support**

The Fair Transportation Funding Coalition writes "As fuel-efficient and zero-emission vehicles (ZEVs) become more common on California roads, fewer drivers are paying

their fair share of the user-based fuel taxes that local communities rely on to fix roads and bridges, enhance public safety and improve public transportation. According to the CTC, the transportation funding shortfall that the state and local communities are already facing is expected to grow by approximately \$31 billion over the next 10 years.

"Given the vital role of transportation infrastructure in supporting the world's fourth-largest economy, creating good-paying jobs and helping more than 39 million people get from one place to another, it is critical that we protect our ability to fund future fixes and enhancements. An evidence-based approach – grounded in research and community engagement – will help ensure that our system for funding improvements to California's transportation infrastructure is effective, fair and works for all Californians."

### **Arguments in Opposition**

No opposition on file.

## **FISCAL COMMENTS**

According to the Assembly Appropriations Committee, costs of an unknown, but significant amount, likely in the hundreds of thousands to low millions of dollars, for CTC, CalSTA and others to consolidate and prepare research and recommendations. Regardless of costs, because

the bill has the primary purpose of creating a study, it is a candidate for the committee's suspense file, consistent with the committee rules and its custom and practice.

**VOTES****ASM TRANSPORTATION: 12-1-3**

**YES:** Wilson, Aguiar-Curry, Ahrens, Carrillo, Harabedian, Hart, Jackson, Lackey, Papan, Ransom, Rogers, Ward

**NO:** Macedo

**ABS, ABST OR NV:** Davies, Hoover, Lowenthal

**ASM APPROPRIATIONS: 11-1-3**

**YES:** Wicks, Stefani, Calderon, Caloza, Fong, Mark González, Krell, Bauer-Kahan, Pacheco, Pellerin, Solache

**NO:** Ta

**ABS, ABST OR NV:** Hoover, Dixon, Tangipa

**UPDATED**

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