

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: October 12-13, 2022

From: MITCH WEISS, Executive Director

Reference Number: 4.9, Information

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Subject: Road Charge Pilot Design Draft Recommendations

Summary:

In compliance with Senate Bill 339 (Weiner, 2021), the Road Charge Technical Advisory Committee has developed draft pilot design recommendations for the California State Transportation Agency.

Staff developed draft recommendations for the following topic areas: Commercial Account Managers, pilot participants, privacy and security, revenue collection, and enforcement.

Background:

On September 24, 2021, Senate Bill 339 was signed into law. This bill implements a legislative recommendation in the California Transportation Commission's (Commission) 2020 Annual Report to create a pilot program to test road charge revenue collection.

SB 339 requires that by July 1, 2023 the Road Charge Technical Advisory Committee shall:

- A. Make recommendations to the California State Transportation Agency about the pilot program design, including what group of vehicles should participate in the pilot.
- B. Develop a standardized road charge pilot rate to use for each group of participants.

On September 16, 2022, the Commission staff presented draft pilot design recommendations to the Road Charge Technical Advisory Committee. The Road Charge Technical Advisory Committee approved the draft recommendations to be shared with the Commission and requested additional work be completed to further refine the number and type of pilot participants we recommend, to consider the role of toll agencies as Commercial Account Managers, and to see if up-front monetary incentives may be offered to pilot participants. Staff will engage with a consultant to further refine and develop the final recommendations which will be brought to the Road Charge Technical Advisory Committee for approval in early 2023.

Below are the Draft Road Charge Technical Advisory Committee recommendations for the SB 339 pilot.

1. Commercial Account Managers

Commercial Account Managers are private companies designed to manage road charge accounts. They create online accounts, send invoices, collect mileage information, and collect payments. The State Administering Agency would provide oversight of Commercial Account Managers, who would perform business functions on behalf of the State. Experts believe having Commercial Account Managers manage end user accounts may be expensive than having state agencies administer accounts.

- a. Establish reporting requirements for Commercial Account Managers through a Service Level Agreement.
- b. Use a “report card” to track Commercial Account Manager performance.
- c. Establish a certification and enrollment process for Commercial Account Managers based on programs like the California Department of Motor Vehicles Business Partner Automation process to make sure they meet certain basic requirements (e.g., privacy).
- d. Have the California Department of Motor Vehicles administer the pilot.

2. Pilot Participants

The following categories should be included to enable the pilot to answer the following questions: how will drivers with varied income levels be impacted; how will zero emissions vehicle drivers be impacted; how will super commuters be impacted; and will impacts in urban versus rural geographies differ?

- a. Include the participant categories listed below.

Participant Category

- Low-income ($\leq \$51,696$, these numbers are estimates based on a one person household as of 2021 using Housing and Community Development Department information).
 - Median income (\$51,697 – \$61,036)
 - Moderate income (\$61,037 – \$73,247)
 - Electric vehicles
 - Hybrid vehicles
 - Super commuters
 - Rural drivers
 - Urban drivers
 - Commercial trucks
- b. Ensure a statistically significant sample size for each category if possible.
 - c. Reach out to recruit participants as early as possible because some are difficult to recruit.
 - d. Use targeted recruiting methods.
 - e. Offer monetary incentives to participants.

3. Privacy and Security

- a. Follow the privacy and security policy from the 2017 pilot.
- b. Incorporate the 2021 recommendations created by the Road Charge Technical Advisory Committee, which can be found here: <https://catc.ca.gov/-/media/ctc-media/documents/programs/Road-Charge-Technical-Advisory-Committee-Meeting/2022/Feb-25-2022/tab-6-a11y>.
- c. Consider incorporating the lessons learned from the Draft 2021 Caltrans Data Security Audit Report. These recommendations cover functional subsystem recommendations, actions needed to ensure security of the road charge demonstration, and cybersecurity best practices. There are 40 pages of highly technical recommendations in the report. It is recommended that the California Department of Transportation review the recommendations with the report consultant, Williams Sale Partnership Limited, to decide which recommendations are feasible to incorporate into the pilot.

4. Revenue Collection

- a. Use the process identified by Commission staff, in collaboration with the California Department of Tax and Fee Administration, and the State Controller's Office. The recommended process is as follows: Commercial Account Managers calculate the road charge amount due and notify pilot participants. Pilot participants pay the road charge, Commercial Account Managers collect the fees and some basic mileage information, and transfer the revenues to the State Administering Agency, who transmits the funds to the State Controller's Office (the State Controller's Office can only accept funds from state agencies). The State Controller's Office puts the funds into a temporary special fund set up for the pilot. Commercial Account Managers calculate any refunds due. Refunds are issued from the State Controller's Office to pilot participants.
- b. Have Commercial Account Managers use the road charge rate tool and reimbursement tool developed by Commission staff for invoices or have them use similar tools.
- c. Offer various payment methods to participants.
- d. Collect data using a plug-in device, telematics, and odometer readings.

5. Enforcement

- a. The agency responsible to administer the pilot should verify vehicle details with the California Department of Motor Vehicles or build an automated interface directly between Commercial Account Managers and the California Department of Motor Vehicles.
- b. Even though strict enforcement measures for the pilot are not recommended (since participants are volunteers), administering agency staff should begin to develop enforcement policies for a long-term program.