

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: May 17-18, 2023

From: TANISHA TAYLOR, Interim Executive Director

Reference Number: 4.6, Information

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Subject: Road Charge Pilot Design Recommendations and Rates

Summary:

In compliance with Senate Bill (SB) 339 (Weiner, 2021), the Road Charge Technical Advisory Committee (TAC) has adopted pilot design recommendations and road charge rates for the California State Transportation Agency to use in the forthcoming road charge pilot focused on testing revenue collection and the impact of two different rates on pilot participants. California Transportation Commission (Commission) staff will present the pilot design recommendations and road charge rates developed by the Road Charge TAC. Pursuant to SB 339, the Road Charge TAC must submit its recommendations and rates to the California State Transportation Agency by July 1, 2023.

Background:

A road charge is an alternative tax mechanism that charges drivers based on the number of miles they drive rather than the gallons of gas they buy. Unlike a road pricing strategy, a traditional road charge is not focused on changing driver behavior, increasing the amount of revenue collected, or on changing how revenue is distributed, rather it is focused on how to collect transportation revenue differently so the state can maintain sustainable funding for transportation even with a shift to more fuel efficient or zero-emission vehicles.

On September 24, 2021, SB 339 was signed into law by Governor Newsom. This bill implements a legislative recommendation in the Commission's 2020 Annual Report to the Legislature to create a pilot program to test road charge revenue collection.

SB 339 requires that by July 1, 2023 the Road Charge TAC 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 "per-mile" road charge pilot rate for one of the two groups of pilot participants.

Process and Timeline of SB 339 Pilot Design Recommendations and Rates

Below is a general timeline that explains how the SB 339 pilot design recommendations and rates were developed. The final pilot design recommendations and rates are listed in the Final SB 339 Pilot Design Recommendations and Rates subsection of this book item.

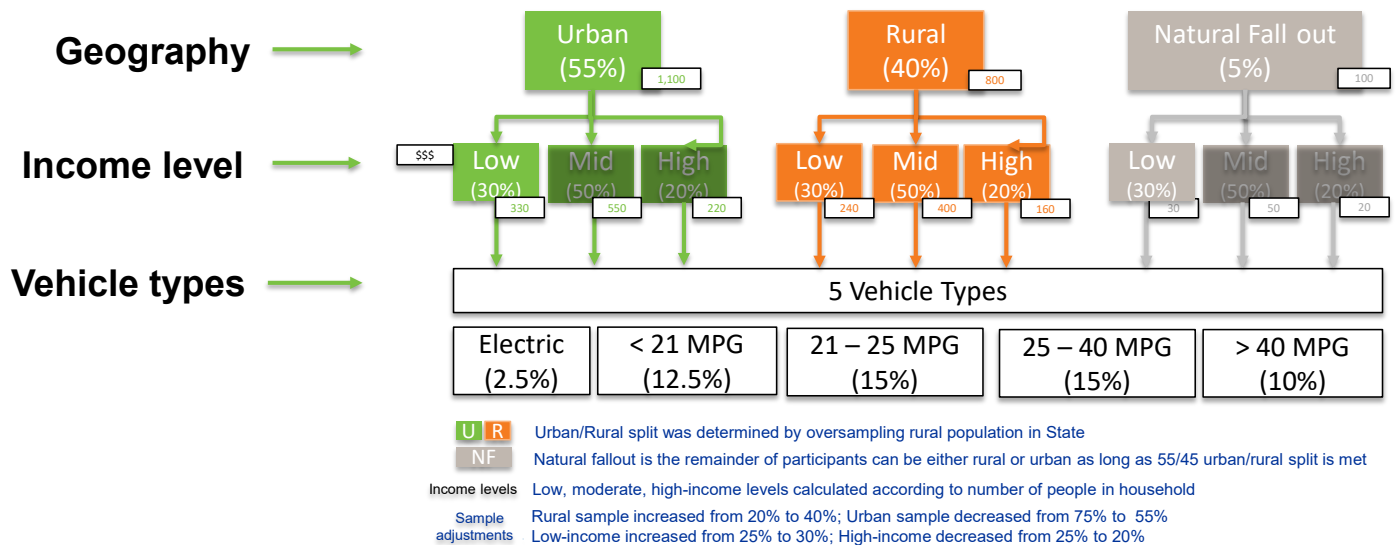
- **September 16, 2022.** Commission staff presented initial draft pilot design recommendations to the Road Charge TAC. The initial design recommendations and light-duty “per-mile” rate were developed by Commission staff with input from Road Charge TAC members. The Road Charge TAC approved these draft recommendations and requested additional work continue to refine the recommended pilot participant categories, consider the feasibility of up front incentives for low-income participants, and to consider the role of toll agencies in the pilot.
- **October 17, 2022.** Commission staff presented the initial draft recommendations to Commissioners at the October Commission meeting. Commissioners expressed general support for the recommendations and asked staff to consider impacts to super-commuters in the pilot. In response to this comment, staff coordinated with Caltrans to hold a meeting where the needs of super-commuters were discussed with interested Commissioners.
- **December 12, 2022.** Commission staff began working with the consultant, CDM Smith, to refine initial SB 339 pilot design recommendations and to add recommendations to expand on existing privacy and security recommendations, collect information about administrative costs and the capability of public and private organizations to administer a pilot program, to develop a certification roadmap, implement invoice design principles, and integrate technology choices to provide a positive user experience. Commission staff worked with CDM Smith and the California Trucking Association to develop an additional medium- and heavy-duty vehicle rate.
- **December 20, 2022.** Commission staff sent the initial draft recommendations to the California State Transportation Agency in the form of a letter.
- **February 24, 2023.** The Road Charge TAC adopted the initial pilot design recommendations presented at the September 2022 Road Charge TAC meeting, along with some revisions and new recommendations that were presented by CDM Smith at the February 2023 TAC meeting. The Road Charge TAC also adopted the “per-mile” light-duty vehicle rate for the pilot. In the February meeting, TAC members requested follow-up on the feasibility of charging different amounts for the costs associated with making road charge payments online, by phone, or by invoice, offering an exemption for out-of-state miles, finalizing the medium-and heavy-duty pilot road charge rate, revising general language in the recommendations describing the rates, and collecting information about administrative costs as part of the pilot.
- **April 28, 2023.** The Road Charge TAC adopted the final SB 339 pilot design recommendations and rates, including a medium-and heavy-duty rate that was developed in collaboration with the American Trucking Association.

Final SB 339 Pilot Design Recommendations and Rates**1. Commercial Account Managers**

- 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. Use the following criteria to assess a private or public sector entity’s readiness to support road charge services:
 - Organizational capacity, which measures whether the entity has the required functions, processes, and systems in place to support road charge.
 - Organizational resources, which measures whether the entity has the bandwidth to support necessary road charge functions.
 - Cost efficiency, which measures whether an entity has the ability to support road charge functions at low cost.
 - User experience, which measures whether an entity is organized to deliver a positive and equitable user experience to road charge customers.
 - Mission alignment, which measures whether an entity’s current mission is aligned with the purpose of road charge.
- d. Create opportunities for state agency participation. If public agencies cannot directly participate in the pilot, conduct interviews to understand their capacity and resources and create a pilot experience with third parties that emulates state agencies.
- e. Use the pilot to inform the development of a certification roadmap. In a statewide road charge program, the state could start with minimal requirements during an initial certification process and progressively raise the bar during annual certification renewal.

2. Pilot Participants

- a. Be proactive with education, outreach and engagement activities to recruit participants from population segments that are more challenging to reach.
- b. Use targeted recruiting methods.
- c. Offer monetary incentives to participants and consider offering incentives to participants early to encourage participation if financial impacts are a potential concern.
- d. Recruit and enroll 2,000 light-duty passenger vehicles pursuant to the following vehicle characteristics and demographics of the vehicle owners:



- e. Advertise via social media, a pilot project website, online news, email announcements, flyers in Department of Motor Vehicles mailings, public service announcements, presentations at stakeholder meetings, invitations through technology partners, academic contacts, and TAC member networks.

3. Privacy and Security

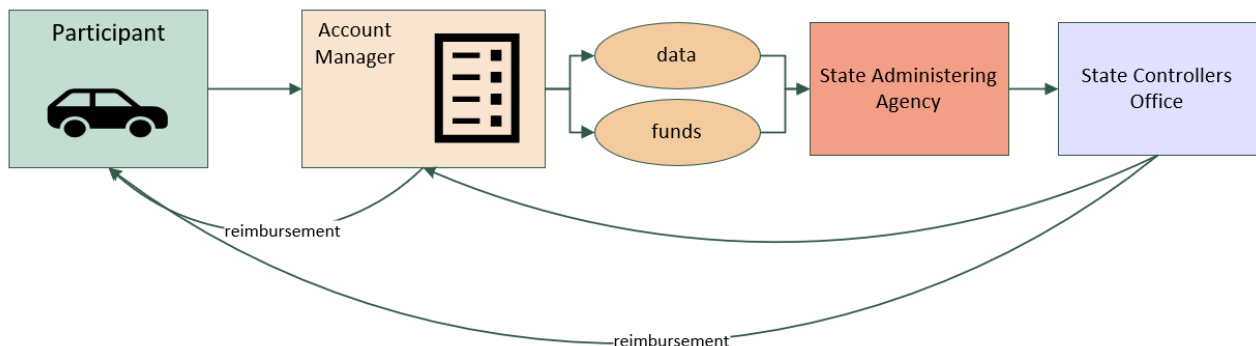
- a. Follow the privacy policy developed during the 2017 road charge pilot with the edits and additions indicated below by section. The 2017 road charge pilot privacy policy can be found online here: <https://dot.ca.gov/-/media/dot-media/programs/road-charge/documents/appendix-9-a11y.pdf>.
- What is Personally Identifiable Information and why is it needed section:
 - Edits: “To specify involvement of pilot demonstration team all Demonstration Participants will be asked to provide a minimal amount of personal information to Demonstration Team members.”
 - Addition: “Neither the state nor an agent of the state, including your account manager, will provide or allow access to personally identifiable information by Caltrans or other State of California employees except in accord with this privacy policy.”
 - Collection and use of your personal information section:
 - Business Partner: “Your unique account number assigned by the Demonstration Team and Business Partner to identify you as a participant in the Demonstration.”
 - Demonstration Team: “Additionally, you may be asked by the Demonstration Team to participate in surveys or focus groups.”
 - State or your account manager: “Occasionally, the state or your account manager may use your personal information to contact you or send important notices about your account, or changes in the Road Charge Phased Demonstration or changes to the participant agreement or this privacy policy.”

- Collection and use of non-personal information section:
 - "...to specify involvement of the state (instead of 'we')."
- Disclosure of personal information to third parties section:
 - Edits: "to specify involvement of the state to make certain personal information available to authorized agencies or private companies but only to the extent necessary [...]."
 - Additions: "to specify that the account manager is also bound by contract with the state to (1) adhere to this privacy policy, (2) protect your personal information from disclosure to any person not approved by the state and (3) not disclose any personal information once the demonstration has concluded."
- Retention of your information and records section:
 - Edits: to specify involvement of account manager, "personally identifiable information is collected by your account manager during certification and enrollment [...]."
 - Additions: to specify, "This requirement is mandated under the state's contract with your account manager and violators will be subject to penalties imposed by the state. To assure your personally identifiable information is destroyed following the demonstration, the state will audit your account manager following the completion of the demonstration."
- Accessibility of privacy policy and participant agreement section:
 - Once the privacy policy and the participant agreement are adopted, the documents should be explained in a writing style easily understandable to a broad spectrum of participants, including those using English as a second language. This effort should involve the creation of a task team made up of writers specializing in public communications, including communications with people for whom English is not a primary language, and law (to ensure accuracy).
- Road Charge participant agreement section:
 - Add language obligating the state to protect the privacy of participants in the demonstration according to the terms of the privacy policy for the demonstration.
- General privacy policy section:
 - The privacy policy should identify an aggregation method that assures the aggregated mileage data cannot be used to identify a person.
 - Mandate by contractual language the obligation for account managers to comply with the privacy policy and impose contractual penalties for non-compliance (this may apply more to a statewide program than the pilot).
 - Do not allow disclosure to state agencies travel data that includes location and daily metered use of a subject vehicle if the data describes a person's travel habits in sufficient detail that the person becomes identifiable either through the data itself or by combining publicly available information with the data.

- b. Incorporate the 2021 recommendations created by the Road Charge Technical Advisory, 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>, and add the following recommendations:
- Involve legal early in the design process.
 - Include decisions about when it is acceptable to share personal information in the privacy policy and use the “minimum necessary” principle. Require the state to make personal information available to third parties and authorized public agencies to provide services in support of the pilot, but only to the extent necessary to perform the functions.
 - Require account manager compliance with the privacy policy from participant enrollment through wrap up of the pilot project.
 - Require account managers to destroy personally identifiable information within 30 days following the conclusion of the demonstration and require the state to audit an account manager to assure compliance.
 - Specifically identify by name and contact information the state agencies and private sector account managers obligated to comply with the privacy policy.
- c. Consider incorporating the lessons learned from the Draft 2021 Caltrans Data Security Audit Report.

4. Revenue Collection

- a. Use the revenue collection process identified by Commission staff, in collaboration with the California Department of Tax and Fee Administration, and the State Controller’s Office (summary below).



- b. Require Commercial Account Managers to calculate road charges and reimbursements pursuant to the rates in Section 6.
- c. Offer various payment methods to participants including:
- Post-payment for charges online, via phone, or via mail.
 - Pre-payment for charges. This concept was tested in the first California pilot as a mileage permit, a manual reporting method in which the vehicle owner pre-pays for a fixed number of miles.
- d. Assess the feasibility and acceptability of charging service fees for end users that vary based on the method of mileage reporting chosen. This would result in a “sliding scale” of road charge payments.

- e. Collect data from participants using the participant's choice among plug-in device, telematics, and odometer readings.
- f. Follow the invoice design principles laid out below.
 - Organize information hierarchically to help users decrease information processing time and focus on more relevant information to evaluate impact of a road charge and provide feedback to the pilot project team.
 - Include a brief message to explain pilot research objectives, frame pilot participant experience, and explain rate setting principles.
 - Use section headers to create a clear visual hierarchy and help users scan content quickly.
 - Call out information that will be referenced in survey questions.
 - Provide links to additional information online.
 - Call out how to access participant surveys.
 - Use consistent and clear layouts that emphasize most important information (amount owed, payment due date).
 - Present an account and invoice summary on every page.
 - Provide tips on how to minimize road charge, similar to what is done by utility companies.
- g. Focus on integrating technology choices to provide a positive user experience.

5. Enforcement

- a. Verify vehicle details with the Department of Motor Vehicles or build an automated interface directly between Commercial Account Managers and the Department of Motor Vehicles.
- b. Begin to develop enforcement policies for a long-term program.
- c. Offer an exemption for out-of-state-miles and incorporate findings about private and off-road miles into the SB 339 pilot based on findings from Caltrans' "Public-Private Roads" pilot once that pilot is completed.

6. Rates

The rates for medium- and heavy-duty vehicles were developed in collaboration with the American Trucking Association.

- a. Employ a flat per-mile rate of 2.5 cents per mile for light-duty vehicles.
- b. Employ a flat per-mile rate for medium- and heavy-duty vehicles as follows:
 - Vehicle classes 3 and 4: 5.9 cents per mile
 - Vehicle classes 5 and 6: 9.9 cents per mile
 - Vehicle classes 7 and 8: 14.8 cents per mile
- c. Report a single rate on invoices without identifying any components of the rate.
- d. Collect information about administrative costs for reference in a future road charge program.

Evaluation Criteria

SB 339 also states that the Road Charge TAC may make recommendations on the criteria used to evaluate the pilot program. These criteria are also due by July 1, 2023. Commission staff and CDM Smith are developing draft evaluation criteria that may be used to evaluate the pilot. The evaluation criteria will be presented at a future Road Charge TAC meeting and once the TAC approves it, Commission staff will present it to the Commission.