



California Road Charge

Equity Advisory Committee
August 2024

4 Issues with the Gas Tax



- ▶ **1. FUEL EFFICIENCY GAINS**
Gas-powered vehicles are becoming more fuel efficient, so owners are buying less gas and government receives less fuel tax.
- ▶ **2. INCREASE IN ZERO EMISSION VEHICLES**
Vehicles that do not use gas, such as electric vehicles, do not pay any fuel taxes.
- ▶ **3. INFLATION AND LOSS OF PURCHASE POWER**
Ongoing inflation reduces how much a static gas tax can purchase. In addition, highway construction costs typically increase faster than overall inflation.
- ▶ **4. UNEVEN FUEL TAX BURDEN**
Newer and more expensive vehicles tend to be more fuel efficient. Owners of older, less fuel-efficient vehicles pay more to use the road. The fuel tax burden is uneven and inequitable.

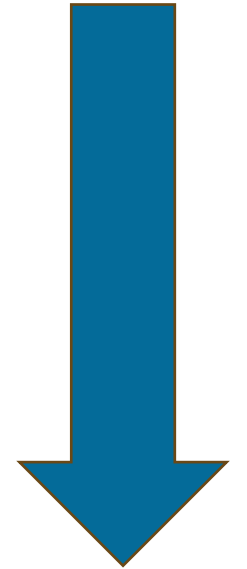


Legislative Analyst's Report on Transportation Funding

In the next 10 years:

- \$5 billion a year **decrease** in state gas tax revenue (64%) for highways and local roads
- \$1 billion a year **increase** in EV registration fees for highways and local roads
- \$420 million a year (20%) **decrease** in diesel sales tax for highways and local roads
- \$290 million a year (20%) **decrease** in diesel excise tax for transit

Total \$4.4 billion a year decrease in funding



What is a Road Charge?

Road Charge is an innovative funding mechanism intended to replace the current gas tax.

It more accurately ensures that all drivers are paying their fair share to use the road.

Road Charge allows drivers to support local road and highway maintenance based on how many miles they drive, instead of how many gallons of gas they use.

California is studying Road Charge as:

- ▶ A replacement for the gas tax
- ▶ One per mile rate for all passenger vehicles
- ▶ Revenue neutral, not a tax increase
- ▶ Aims to stabilize funding, not change behavior
- ▶ No change in how funding is spent: existing formulas and programs remain



Road Charge Pilot Studies by California

California's 2017 Pilot



- General Feasibility
- Areas of Future Study

SB 1077 (2014)



Four-Phase Demonstration 2021



- User Experience
- Clearinghouse
- Communications Research

Federal Grant (STSFA)



Public/Private Roads Project 2023



- Technical Test of GPS
- Conversations with Key Stakeholder Groups
- Communications Research

Federal Grant (STSFA)



Revenue Collection Pilot 2024



- Test of Revenue Flow and Administrative Processes
- Communications Research

SB 339 (2021)



Equity Focused Research

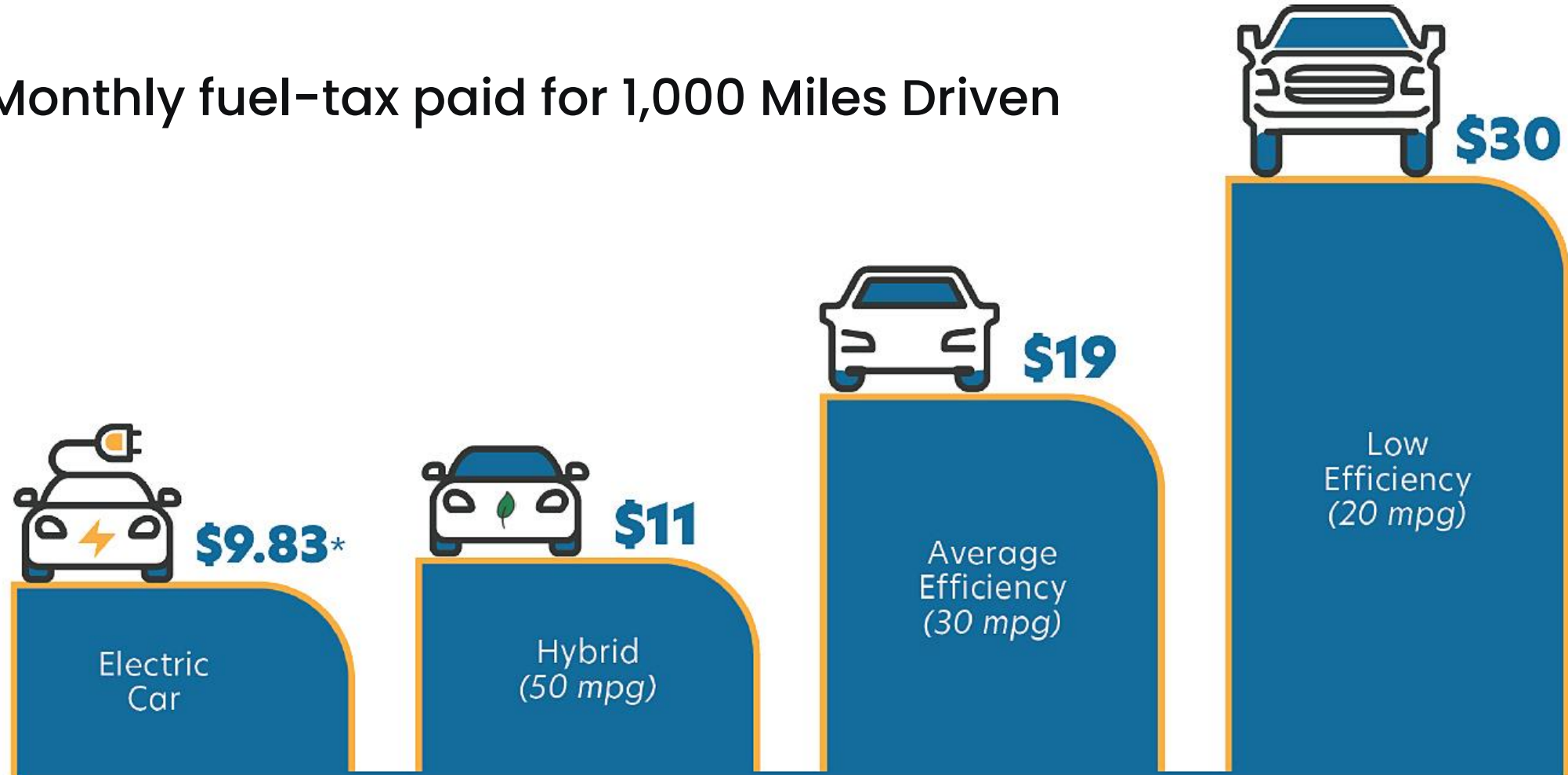
A shift from Gas Tax to Road Charge shows positive equity gains

- ▶ **Disadvantaged Communities**
<https://escholarship.org/uc/item/1pn404q5>
- ▶ **Rural Drivers**
https://www.caroadcharge.com/media/vktnxggu/rucamerica_urbrur_finalreport_2022-09-16.pdf
- ▶ **Super Commuters**
https://www.caroadcharge.com/media/h3hjdse/caltransrucamerica_supercommuters_finalreport_2024-01-11_ada-a11y.pdf
- ▶ **Equity Impacts of Road Charges on Commercial Vehicles**
https://www.metrotrans.org/assets/research/wei_psr-21-sp81_to%20043_final2.pdf
- ▶ **Focus Groups and Surveys**
(Spanish, Mandarin, Rural, and EV owners)



What drivers pay under the Gas Tax

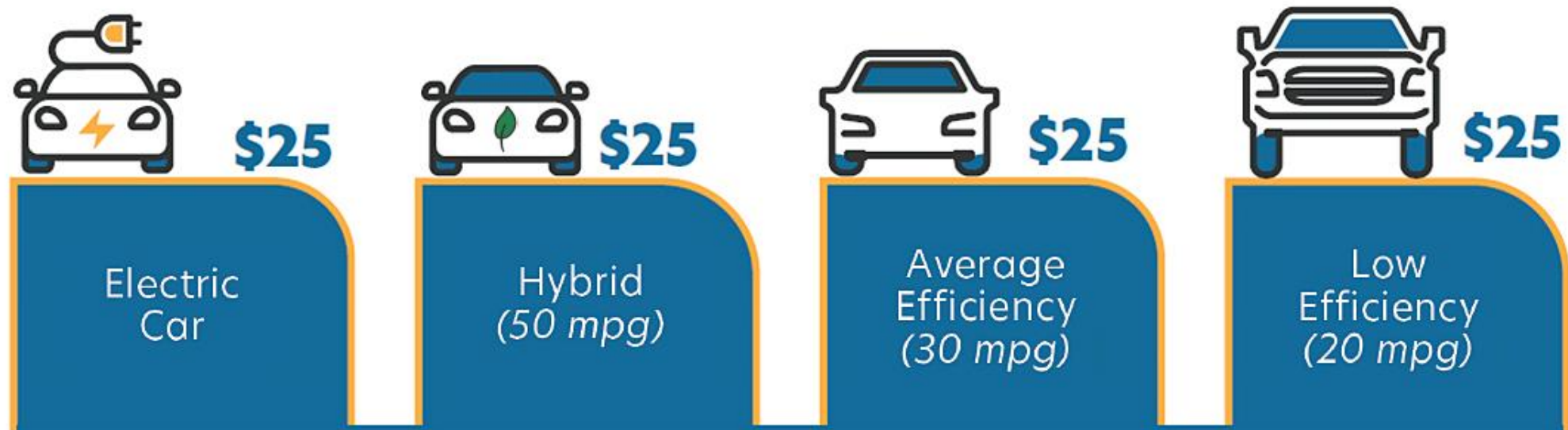
Ex: Monthly fuel-tax paid for 1,000 Miles Driven



* \$118 Road Improvement Fee is assessed on all model year 2020 and later ZEVs



Ex: Monthly road charge paid for 1,000 Miles Driven



Engagement

Coming up in 2024:

- Getting on the Interagency Equity Advisory Committee Agenda
- Listening session with minority voices
- Input from those with disabilities and senior perspectives

Past and Ongoing Engagement

- Equity voices on the CTC's Road Charge Technical Advisory Committee since 2014
- Tribes
- Rural Areas and Representatives
- Trucking Industry
- Agriculture
- Climate Justice Non-Profits

SB 339 Road Charge Collection Pilot Update

- ▶ **Pilot started August 1 and will run through January 2025**
- ▶ **800 people from across the state**
- ▶ **Participants can earn up to \$400 in incentives**
- ▶ **Final report potentially out next summer**



SB 339 Interim Report

- ▶ Required by SB 339 (Wiener, 2021)
- ▶ Submitted to the Legislature July 1, 2024
- ▶ Per SB 339's direction to CalSTA to "consult with appropriate state agencies [...] to design a process for collecting road charge revenue from vehicles," the report outlines recommendations for a potential administrative process that the Legislature could consider.



SB 339 Road Charge Collection Pilot Interim Pilot Report

A Potential Administrative Process
for a Road Charge System in California

Guiding Principles

- ▶ **The Administration's overarching principle in its recommendations for potentially implementing a statewide Road Charge System is to build on existing systems and processes wherever possible.**
 - **This approach would help lower administrative costs and minimize implementation burdens to affected state agencies.**
 - **Public familiarity with these existing systems would make it easier for taxpayers to transition to paying a road charge.**
- ▶ **The recommended structure could support the transition of all 33 million passenger and commercial vehicles from fuel taxes to a road charge or a subset of vehicles, such as only zero-emission vehicles.**

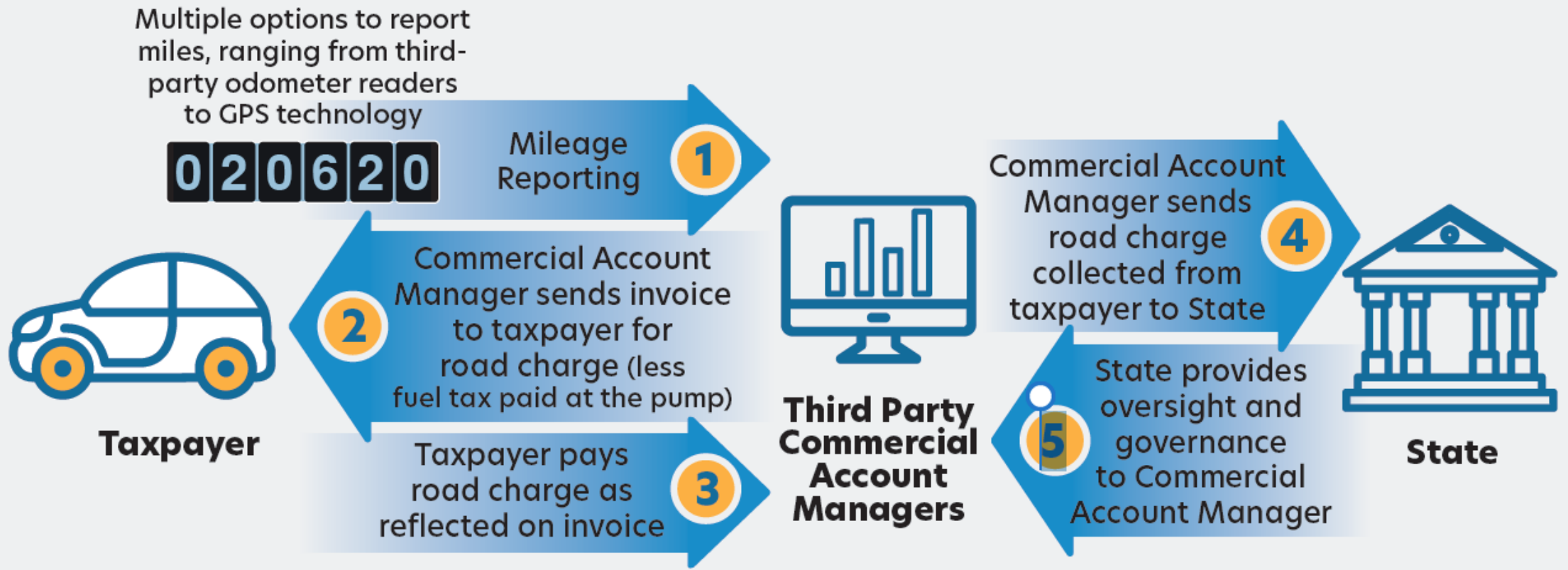


Passenger Vehicle Road Charge System

- ▶ The **DMV** would be the lead agency with oversight to implement a road charge program.
- ▶ The road charge would be tied to each vehicle's VIN and stored as a tax record.
- ▶ As the oversight and taxing agency, DMV would have the responsibility to certify and audit the private, third-party vendors, or Commercial Account Managers (CAM).
- ▶ The CAM would enroll participants, collect mileages, calculate the road charges, submit invoices to vehicle owners, collect the tax amount due from taxpayers, and submit the revenue to DMV.
- ▶ The state would designate multiple certified CAMs, allowing taxpayers to choose what works best for them in terms of account management and reporting options.
- ▶ Multiple types of reporting options would be offered. No location sharing would be required.



Commercial Account Manager System



Mileage Reporting Methods



Low Technology Options



Time Permit



Mileage Permit



Odometer Charge

High Technology Options



Plug-in Device



Smartphone App



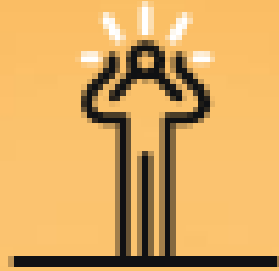
Built-In Technology



Commercial Vehicle Road Charge System

- ▶ The **California Department of Tax and Fee Administration (CDTFA)** would oversee a commercial vehicle road charge system.
- ▶ CDTFA is currently the implementing agency for the **International Fuel Tax Agreement (IFTA)**, which is a federally recognized cooperative agreement between the 48 contiguous states of the United States and 10 Canadian provinces to simplify the reporting of fuel used by trucks that operate in more than one state. Mileage is reported quarterly by state.
- ▶ IFTA began processing commercial vehicle road charges in January 2024 to incorporate the passage of HB 1050 in Indiana, so the basic structure of an interoperable commercial vehicle road charge system is in place.
- ▶ This is consistent with preferences expressed by the trucking industry, incorporating road charge reporting into an existing reporting process.
- ▶ Trucks with a gross vehicle weight of between 10,000 and 26,000 pounds are not currently required to follow IFTA reporting. Nor are trucks over 26,000 pounds that travel only within California. However, the existing IFTA structure could be expanded to include these vehicles.
- ▶ ¹⁶ Enforcement processes are in place, including auditing by CDTFA.





Questions?

Lauren Prehoda
Road Charge Program Manager, Caltrans
lauren.prehoda@dot.ca.gov
916-654-4227

www.caroadcharge.com