California Road Charge Pilot

HELP FIX CALIFORNIA'S ROADWAYS, ONE MILE AT A TIME.

CaliforniaRoadChargePilot.com

January 2016

OUR ROADWAYS ARE DETERIORATING

As Californians, our transportation system is facing a serious problem. Historically, annual investment in roadway maintenance and preservation hasn't kept pace with needs.

Making the problem worse, the money collected to pay for roadway maintenance and repair has declined each year since 2007. Having less money to repair our roadways means that our transportation system will continue to get worse each year without funds to maintain them.

WHY IS THIS HAPPENING?

Aging Roadways - The majority of our major roadways are more than 40 years old and have reached or exceeded their design life. The older our aging roadway system gets, the more repairs it needs.

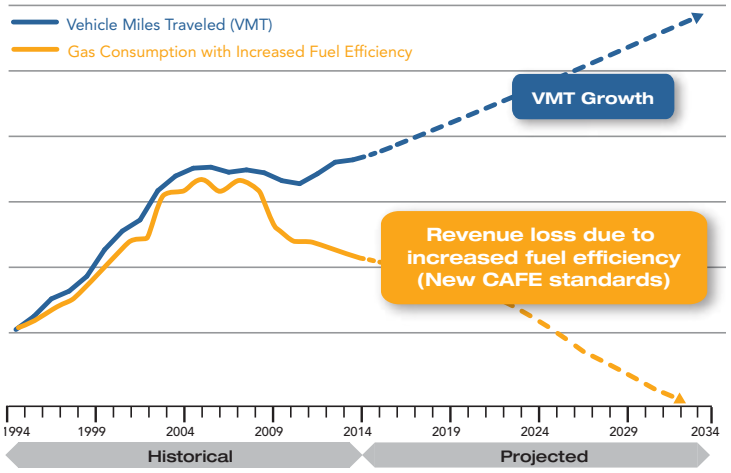
Shrinking Funding - The base excise gas tax (currently a fixed 18 cents per gallon of gas sold) is the primary source of funding used to pay for road repairs. The base excise gas tax has not been raised in more than 20 years. Inflation has decreased the buying power of the gas tax by approximately 50 percent. In other words, 18 cents in 1994 is worth about 9 cents today.

Increased Costs - Despite major efforts to reduce costs and increase efficiencies, the cost of maintaining and replacing our roadways continues to rise significantly.

More Fuel-Efficient Vehicles - High fuel-efficiency cars, like hybrids and electric vehicles, are currently paying little or no base excise gas tax. They are contributing only a fraction to the overall cost of road repairs.

Today, nine out of the top 15 hybrid markets in the U.S. are located in California. As a result, less gas is sold, which means less money is available to pay for road repairs and maintenance.

California Revenue Loss Due to Increases in Fuel Economy



The chart above shows that roadway use will continue to increase, and that our current funding mechanism is declining significantly. We must correct the falling funding trend as soon as possible. The shortfall between actual roadway needs and funding availability is already in the billions of dollars annually.

HOW SERIOUS IS THE PROBLEM?

A 2012 RAND Corporation publication states, "Transportation funding shortfalls will grow even more acute in the coming years as improved vehicle fuel economy and the adoption of alternative-fuel vehicles will reduce federal and state fuel tax revenues by billions of dollars per year." Because these trends will continue, now is the best time to begin studying alternative funding mechanisms before it is too late.

According to the 2015 Ten-Year State Highway Operation and Protection Program Plan, Caltrans will need approximately $80 billion over the next ten years to address current and future needs of the state highway system—a projected funding shortfall of nearly $57 billion in available revenue.

WHAT IS THE GOAL OF AN IDEAL FUNDING SOURCE

An ideal funding source for roadway maintenance would be equitable (fair to everyone), sustainable (reliable and stable over time), and support future innovation. California's reliance on the gas tax is clearly unsustainable.

WHAT ARE SOME FUNDING OPTIONS?

1 Increase the Gas Tax: Increasing the state gas tax is simple, and the option is certainly available.

Could it be done? Yes, it could be done in the short term, but attempts to raise the gas tax have been unsuccessful for more than 20 years.

Could it raise enough money? Yes, a significant increase could generate the needed short-term funding, but as more fuel-efficient and electric vehicles use the roads, this option would not raise the necessary funding without frequent increases. Due to the widening differences in contributions by vehicles of varying fuel economies, this option would also place more burden of funding our road maintenance and repair on those driving less fuel-efficient cars.

2 Increase the Vehicle License Fee (VLF) or the Vehicle Registration Fee (VRF): By law, the VLF and VRF are dedicated to specific activities. The VLF pays for local government services. The VRF pays for motorist services such as the CHP and the DMV. Currently, no VLF or VRF funds are available for maintenance or preservation of our roadways.

Could it be done? Yes, but it would likely be very publicly and politically unpopular. California voters have repeatedly turned this option down at the polls. Also, a VLF or VRF increase doesn't account for actual road usage. A motorist who drives 2,000 miles per year pays the same amount as someone who drives 20,000 miles per year.

Could it raise enough money? Yes, but the increase would need to be set quite high (perhaps double its current fee level), and new legislation would need to be created to redirect a portion of the funding to road repairs and maintenance.

3 Tolling: Tolls are user fees charged to drivers who choose to drive in special express lanes or on dedicated toll roads.

Could it be done? Not on a broad scale. Federal law restricts tolling on existing roads and would certainly be unpopular. Land for new toll facilities is scarce. California has several dedicated toll roads and tolled express lanes in metropolitan areas. Senate Bill (SB) 194 signed into law in October 2015 expands the potential for toll facilities in California, however tolling is predominately viewed as a method for increasing efficiency of the system and not as a revenue generating option. The revenues generated by these facilities support maintenance, operations and in some cases, debt payments of those facilities.

Could it raise enough money? No. Tolls can help build, finance and maintain new and existing toll roads, but they won't generate enough money to pay for the rest of the transportation system.

4 Road Charge (RC): A Road Charge is a "user pays" funding concept where drivers pay for maintenance and upkeep of the State roadway network based on how much they drive. This is much like water, electricity and other utilities. The more you use, the more you pay. In the case of RC, drivers pay for their roadway usage based on distance they drive on public roads. This method appears to be equitable as it charges based on road usage, regardless of the type and fuel efficiency of the vehicle driven.

Could it be done? Yes. After 12 years of study and two pilot programs, the state of Oregon passed legislation in 2013 to begin transitioning from the gas tax to a RC model. Although a California RC model would likely have some differences from what Oregon has done, it is feasible.

Could it raise enough money? Yes, provided the rates are set adequately and that there is an automatic indexing mechanism to adjust the rates as needed to keep pace with inflation and increasing road repairs and maintenance costs.

WHAT'S HAPPENING AT THE FEDERAL LEVEL?

In December, Congress passed and the President signed into law the Fixing America's Surface Transportation (FAST) Act. It is the first long-term authorization since 2005's SAFETEA-LU, which expired in 2009.

In the FAST Act, Congress recognized the need to explore a user fee model (road charge) as an option to maintain the long-term solvency of the Federal Highway Trust Fund. The enactment of the FAST Act created a five-year, $95 million grant program which is eligible to a state or group of states to test the design, acceptance, and implementation of a future road charge alternative revenue mechanism.

WHAT ARE OTHER STATES DOING?

California is not alone. At least 22 other states are struggling with shortfalls in their transportation funding, which is due primarily to an over-reliance on the gas tax.

Other states that have studied an RC model, such as Oregon, Washington and Nevada are finding that RC has the potential to deliver reliable, long-term funding that is also fair.

IS CALIFORNIA GOING TO IMPLEMENT RC?

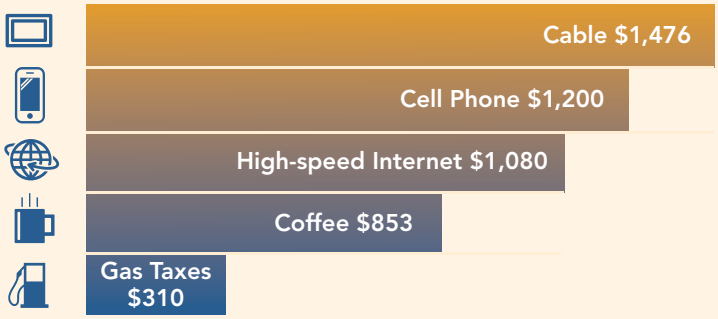
At this point, no decisions have been made, other than to conduct a Demonstration Program to study the feasibility of RC as a potential source of equitable and sustainable funding for maintaining and preserving our roadway system.

On September 29, 2014, Governor Brown signed SB 1077 into law. Under the requirements of SB 1077, the California Transportation Commission (CTC) formed a RC Technical Advisory Committee (TAC). The TAC reviewed alternatives and developed recommendations on the design and evaluation criteria for a RC Demonstration Program, presenting them to the Secretary of the State Transportation Agency (CalSTA) in December 2015. Based on the recommendations of the TAC, by July 1, 2016, CalSTA will implement a Demonstration Program to identify and evaluate issues related to the potential implementation of a RC program in California. CalSTA will report on the results of the Demonstration Program to the CTC and Legislature prior to June 30, 2017.

HOW MUCH DOES THE AVERAGE DRIVER PAY FOR ROADS ANNUALLY?

The average California driver pays $310 per year in gas taxes (which includes federal, state and local gas and sales taxes). The total gas tax is about 60 cents per gallon. Only the base excise gas tax (18 cents per gallon) goes to road repairs and maintenance. The remaining 42 cents per gallon is split among major roadway expansion and rehabilitation, local needs and mass-transit projects.

Average Annual Cost of Select Items



The amount the average California driver pays to support maintenance and repair of our roadways is significantly less than what they spend for other necessities.

TAC PILOT RECOMMENDATIONS:

- 5,000 participants statewide – include a broad cross-section of individuals, households, businesses, and at least one government agency.
- Diversity in vehicle types – vehicles reflective of the fleet currently using California's road network.
- Commercial and State account managers – offer drivers a choice in account managers.
- Multiple mileage reporting methods – offer drivers a choice in either manual or automated mileage recording methods including one which does not require any mileage reporting.
- Protect privacy – pilot should feature specific governance, accountability, and legal protection approaches for protecting privacy.
- Ensure data security – the pilot will test ten data security features.

Road Charge Activity Timeline

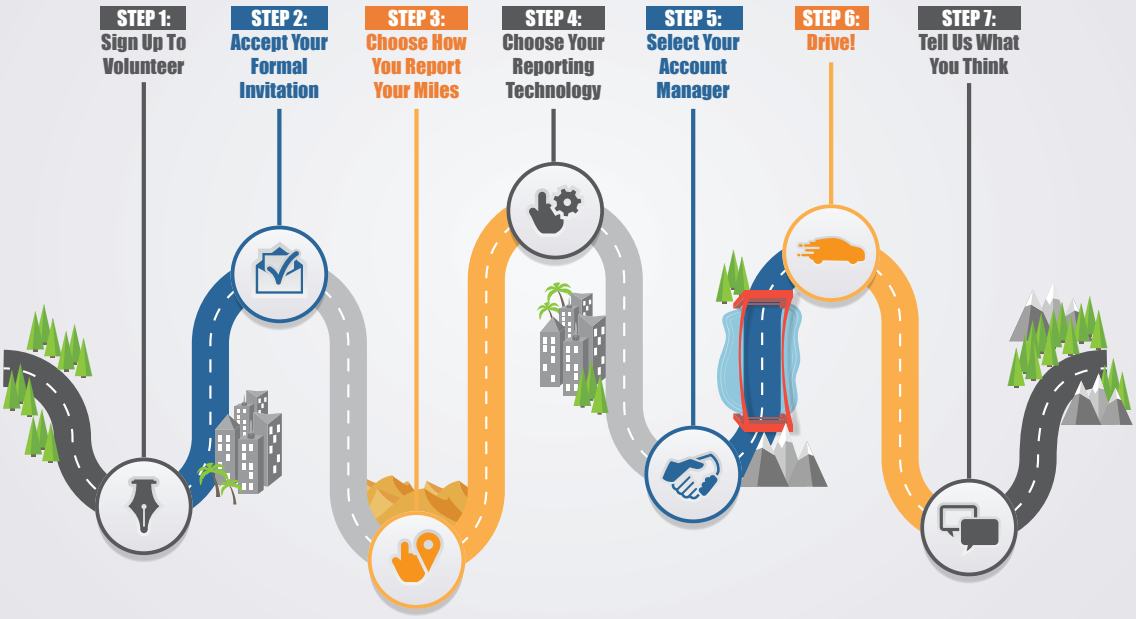
Pilot Development
January 2016

Live Pilot
July 2016

Final Report to Legislature
June 2017

Recommendations to Legislature
December 2017

A STEP BY STEP PROCESS FOR VOLUNTEERS



KEY QUESTIONS ABOUT RC

How does the California RC pilot work?

The California RC pilot is a field trial of road charging concepts. Volunteers throughout California will test various road charging methods to identify and evaluate issues related to the potential implementation of a RC program and to assess the potential for mileage-based revenue collection for California's roads and highways as an alternative to the gas tax system. At a minimum, the pilot will:

1. Analyze alternative means of collecting road usage data, including manual alternatives that do not rely on electronic vehicle location data.
2. Collect a minimum amount of personal information including location tracking information, necessary to implement the road charge program.
3. Ensure that processes for collecting, managing, storing, transmitting, and destroying data are in place to protect the integrity of the data and safeguard the privacy of drivers.

Will the pilot cost volunteers money?

No, there will be no out of pocket costs required for pilot participants. In fact, the pilot will not actually collect fees from participants, but will give participants the choice of submitting a simulated payment via mail or a secure website for testing purposes.

Does RC require a location-based device in every car?

No, a location-based device is not required for RC. California is studying a number of ways to measure distance travelled without location-based technology, ranging from flat annual fees to manual odometer reading to automated reporting of distance only (without vehicle location information).

What about privacy?

SB 1077 specifically requires that privacy implications are taken into account, especially with regard to location data. Privacy issues were addressed through the TAC process and privacy protections will be incorporated in the pilot.

How will the RC be tested during the pilot?

The pilot will give participants several options for reporting mileage, including several which do not require technology in the vehicle and one which does not require any mileage reporting. These options include:

- Time permit: Similar to a vehicle registration fee, the participant purchases unlimited road use for a specific period of time.
- Mileage permit: The participant pre-pays to drive a certain number of miles.
- Odometer charge: The participant pays a fee per mile based on periodic odometer readings.
- Automated mileage reporting: In-vehicle equipment reports mileage traveled to a third party account manager which invoices the participant. The equipment also provides an option of allowing for reporting of general location data so the participant is credited for travel out-of-state or on private roads. Technology options recommended by the TAC for this option include in-vehicle telematics, smartphone apps, and plug-in devices for the vehicle's OBD-II data port

How can I volunteer for the pilot program?

Signing up for pilot is easy. Our website will step you through the volunteer sign-up process at *www.CaliforniaRoadChargePilot.com.*