

Date of Hearing: June 11, 2018

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

SB 1328 (Beall) – As Amended June 4, 2018

SENATE VOTE: 26-9

SUBJECT: Mileage-based road usage fee

SUMMARY: Extends the life of the Road Usage Charge Technical Advisory Committee (TAC) for four years and requires it to continue assessing the potential for mechanisms such as a mileage-based revenue system as an alternative to the gas tax for generating the revenues necessary to maintain and operate the state's transportation system.

EXISTING LAW:

- 1) Requires the Chair of the California Transportation Commission (CTC) to create a 15-member TAC to guide the development and evaluation of a pilot program to assess the potential for a mileage-based revenue system as an alternative to the gas tax.
- 2) Directs the California Department of Transportation (Caltrans) to provide staff to the TAC as requested.
- 3) Directs the California State Transportation Agency (CalSTA) to develop and implement, by January 1, 2017, a pilot program, based on guidance from the TAC, to identify and evaluate issues related to potential implementation of a road usage charge.
- 4) Requires CalSTA to submit a report of its findings based on the results of the pilot to the TAC, CTC, and the Legislature, by June 30, 2018.
- 5) Directs CTC to include its recommendations regarding the pilot program in its annual report to the Legislature.
- 6) Sunsets the TAC on January 1, 2019.

FISCAL EFFECT: Unknown

COMMENTS: Since 1923, California and the rest of the nation has relied heavily on fuel taxes to support its local streets and roads and state highway system. Fuel taxes have the benefit of being fairly inexpensive to administer. Furthermore, until relatively recently, they have been a reasonably equitable means of distributing the tax burden amongst drivers in rough proportion to their use of the roadway system.

However, The gas tax is no longer a viable, sustainable revenue source. According to the Institute on Taxation and Economic Policy, two important developments have combined to greatly reduce the functionality of the gas tax:

- 1) The purchasing power of fuel tax revenues has declined significantly due to inflation; and,

- 2) Improvements in vehicle fuel efficiency have cut directly into gas tax revenues by allowing drivers to travel farther distances while buying less gasoline. From an environmental and energy policy standpoint, this is undeniably desirable. Decreased fuel consumption reduces greenhouse gas emissions and our dependence on oil. But with vehicle fuel efficiency set to nearly double in the next 20 years, fuel tax revenues will be cut nearly in half.

In the long term, an alternative to the gas tax must be found. The alternative most often cited across the nation is a mileage-based fee or road usage charge. According to the RAND Corporation, these types of fees promise more stable revenue than gas taxes and distribute the tax burden in proportion to travel with greater precision. Because the fees are tied to travel rather than gas consumption, the revenue stream is immune to changes in fuel economy or even fuel type. This is particularly important in California where state policies are pushing for more near zero or zero-emission vehicles (i.e., non gas-powered vehicles) on our roads.

Recognizing this challenge, in 2014 the Legislature passed and Governor Brown signed into law SB 1077 (DeSaulnier), Chapter 835, which established the TAC within the CTC to guide the development and evaluation of a pilot program to assess the potential for a mileage-based revenue system as an alternative to the gas tax. SB 1077 directed the administration to conduct the pilot, and submit its findings and recommendations by the end of 2018. After successfully meeting the statutory deadlines, it became clear that more study and public awareness was necessary before the Legislature could consider implementations of any viable alternatives to the fuel tax. Therefore, in its 2017 Annual Report to the Legislature, CTC recommended legislation to extend the TAC and direct its efforts to continue the study of alternative funding mechanisms.

According to the author, the TAC was established to guide the development and evaluation of a pilot program to assess the feasibility of a road charge as a replacement to the gas tax for transportation funding. The pilot program confirmed the viability of many aspects of a road charge system; however, additional research and work is needed in a fully transparent and stakeholder-led process before any transition is considered. This bill extends the sunset on the TAC so that the committee can continue exploring the potential of a road charge as a future alternative method for raising revenue for the maintenance of California's roads.

Committee Comment: The Off-Road Vehicle Legislative Coalition submitted a letter to the committee highlighting the fact that certain portions of the state's fuel tax revenues are dedicated to various funds such as for off-highway recreational vehicle parks and boating infrastructure. It is important that the TAC, when considering alternative funding mechanisms to the fuel tax, acknowledges the need for these various programs to continue to be funded through any new system.

Previous Legislation: SB 1077 (DeSaulnier), Chapter 835, Statutes of 2014, establishes the TAC and requires CalSTA to conduct a pilot program on a road usage charge.

REGISTERED SUPPORT / OPPOSITION:

Support

American Council of Engineering Companies
Automobile Club of Southern California
California Alliance for Jobs
California Asphalt Pavement Association

California Association of Councils of Governments
California Transportation Commission
California Trucking Association
Public Advocates
Transportation California

Opposition

None on file

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