

Date of Hearing: June 21, 2021

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

SB 339 (Wiener) – As Amended May 20, 2021

SENATE VOTE: 28-11

SUBJECT: Vehicles: road usage charge pilot program

SUMMARY: Extends the Road Usage Charge Technical Advisory Committee (RUC TAC) until January 1, 2027 and requires the state Transportation Agency (CalSTA), in consultation with the California Transportation Commission (CTC), to implement a pilot program to test a road usage charge as specified.

Specifically, **this bill:**

- 1) Requires the Road Usage Charge Technical Advisory Committee (RUC TAC) to make recommendations to CalSTA on the design of the pilot program to test revenue collection, including the group of vehicles to participate in the pilot with consideration of input from industry experts and relevant stakeholders.
- 2) Requires CalSTA, in consultation with CTC, to convene a state agency work group to implement the pilot that includes the Department of Transportation (Caltrans), the Department of Motor Vehicles, the State Controller, the California Department of Tax and Fee Administration, and other state agencies, to design a process for collecting road charge revenue from vehicles.
- 3) Requires that the pilot program:
 - a. Establishes that participants in the pilot shall be charged a mileage-based fee and receive a credit or a refund for the estimated state fuel taxes and electric vehicle fees paid to operate a vehicle during the pilot.
 - b. Is voluntary if a vehicle group other than state-owned vehicles is selected.
 - c. Consists of two study groups:
 - A group that will be subject to a fee per mile traveled, determined by the RUC TAC that will be the same for all vehicles in that group.
 - A group that will be subject to an individually calculated fee per mile traveled, that is equal to the state per-gallon fuel tax divided by the United States Environmental Protection Agency's estimated fuel economy rating for that vehicle based on the manufacturer, model, and year of the vehicle.
- 4) Requires CalSTA, in consultation with CTC, to submit an interim report on the status of the pilot program by no later than July 1, 2024, and a final report by no later than December 31, 2026. The report will include an evaluation of the differing rates used in each study group and their respective impact on ensuring sustainable funding for transportation.

- 5) Includes by way of reference, the same privacy provisions included SB 1077 (Statute of 2014, DeSaulnier) which created the RUC TAC to study road charge as an alternative to the state gas tax.
- 6) Extends the sunset on the RUC TAC until January 1, 2027.

EXISTING LAW:

- 1) Requires the Chair of the California Transportation Commission to create a Road Usage Charge (RUC) Technical Advisory Committee (TAC) in consultation with the Secretary of the Transportation Agency.
- 2) Requires the TAC to study RUC alternatives to the gas tax and make recommendations to the Secretary on the design and criteria to evaluate a pilot program.
- 3) Requires CalSTA, based on the recommendations of the TAC, to implement a pilot program to identify and evaluate issues related to the implementation of a RUC by January 1, 2017 and submit a report to the Legislature by June 30, 2018.
- 4) Requires 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.
- 5) Repeals all of the above provisions on January 1, 2023.

FISCAL EFFECT: Unknown.

COMMENTS:

State gasoline and diesel taxes are the primary source of funding for transportation. However, as a revenue source they are failing to generate the level of funding needed to maintain our transportation system. The revenues have been eroding due to several reasons including inflation for inputs such as asphalt and concrete outpacing the growth of fuel taxes, increasing fuel-efficiency of vehicles reducing the amount of fuel purchased, and more recently the introduction of near-zero and zero-emission vehicles (ZEVs) that cause wear and tear on the roads, but do not pay fuel taxes. It has been estimated that collectively, states have seen their effective gas taxes drop by over \$10 billion annually. The Mineta Institute estimates that under reasonable scenarios of ZEV adoption, California annual transportation revenues could be as much as \$1 billion less than under a business as usual model by 2025 and \$2 billion less by 2030. Evidence of the impact of less funding can be seen in our crumbling infrastructure, congested highways, and increased costs to residents for vehicle repairs.

Governor Newsom reinforced the state's commitment to a transition away from fossil fuels with the issuance of Executive Order (EO) N-79-20 calling for 100% zero-emission medium- and heavy-duty trucks by 2045 for all operations where feasible. Assuming the state continues its transition away from fossil fuels, if steps are not taken to find a replacement source of revenue the impacts of inadequate funding will only get worse.

With the passage of the Road Repair and Accountability Act of 2017 (Senate Bill 1), the state gas tax had not been adjusted for inflation since 1994 which significantly reduced its purchasing

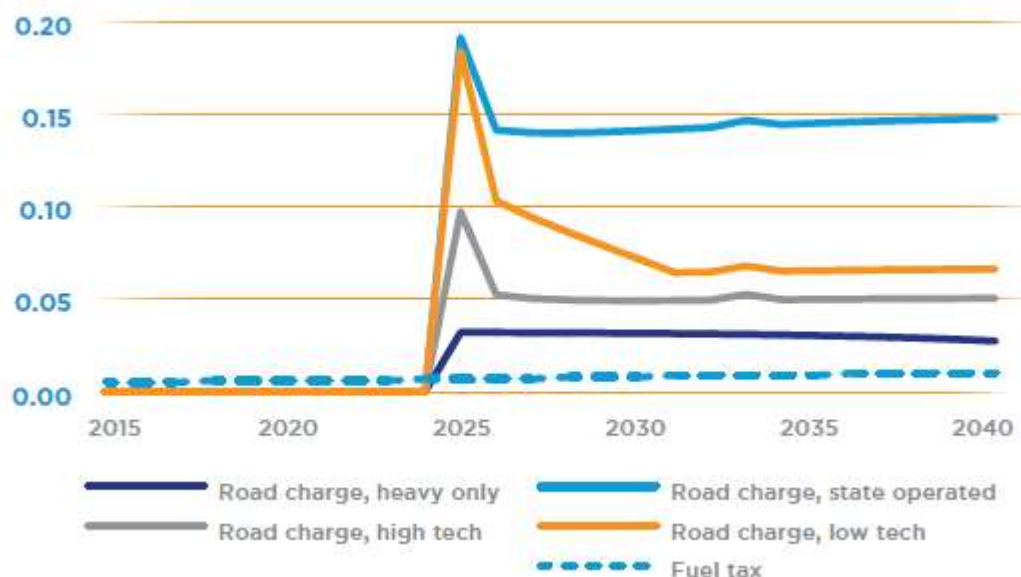
power. Senate Bill 1 adjusted fuel rates for past inflation and includes future inflation adjustments, solving the inflation issue and delaying the expected transportation funding shortage by a decade or more. However, the impact of improving vehicle fuel efficiency remains an issue, especially as new vehicles sold in the coming decades are expected to be much more fuel efficient. SB 1 took a step to address fuel efficiency issues with the inclusion of a new transportation revenue stream from vehicle registration, including electric vehicles, which diversifies the funding for transportation, making transportation investments less dependent on fuel taxes. However, the majority of revenue will still be derived from the consumption of fossil fuels.

Over a decade ago states began exploring alternatives to fuel taxes and the implementation of a use-based charge, or pay-by-the-mile fee, in an effort to identify a sustainable transportation funding mechanism. These states include Washington, Oregon, Utah, Colorado and a partnership of 17 eastern states and the District of Columbia. The Biden Administration has also expressed an interest in a RUC as a substitute for the 18 cent/gallon federal gas tax.

In California, SB 1077 (Statute of 2014, DeSaulnier) directed the Chair of the California Transportation Commission (CTC), in collaboration with the Secretary of the California State Transportation Agency (CalSTA), to create a Road Charge Technical Advisory Committee (TAC) to study road charge as an alternative to the state gas tax. The pilot was completed in 2017 and one of the recommendations for future study was evaluate the actual flow of revenue through the state system to identify challenges, efficiencies, and synergies for future implementation. This bill incorporates that recommendation. This bill also adds an additional study group to address concerns that long-distance commuters driving fuel-efficient vehicles would pay more under a road charge, and those with less fuel-efficient vehicles would pay less than they do under the current gas tax system.

State Administrative Costs of a Road Use Charge. Currently, collection costs for the California gas tax are approximately \$34 million annually, representing just 0.54% of fuel excise tax revenue collected (not accounting for evasion). A road charge, by contrast, is estimated to be more costly, resembling utilities such as gas, water, electricity, and telecommunications, whose collection costs generally range from 5-10%. As shown in the figure below from the 2017 California Road Charge Pilot Program Final Report.

Figure 7-3: Cost of Collection



The individually calculated fee based on a vehicle’s fuel efficiency that this bill proposes to study could incentivize vehicle owners to purchase more fuel-efficient vehicles; however, it potentially would increase administrative costs even further. Increased administrative costs reduce the total funding available for transportation infrastructure or results in a need to charge greater rates to generate an equivalent amount of revenue for transportation project funding.

This approach also may result in greater transportation costs for low-income drivers who must commute long distances to work and cannot afford to purchase newer, more fuel-efficient vehicles. The need for and ways to address these inequities should be considered in the structure of both study groups, such as the feasibility of providing tax credits for low-income drivers.

According to the author, “SB 339 will extend the California Road Charge Pilot Program from 2023 until 2027. This pilot program allows for voluntary participants and state owned vehicles to forego their gas tax in lieu of a charge based off their vehicle miles traveled (VMT). Unlike prior iterations of the pilot, SB 339 tasks the program with collecting this VMT fee, as opposed to the mock invoices previously used. The current gas tax structure is becoming a less effective basis for transportation infrastructure funding. As policies encouraging electric vehicles continue to be implemented, and as gasoline consumption continues to decrease, California will need to ensure a secure, stable funding future for transportation. Further, the current gas tax structure is inequitable, as lower income individuals often cannot cover the upfront costs for an electric or hybrid vehicle, resulting in lower income communities paying higher gas taxes, and funding the roads and infrastructure that all drivers are using. Extending the Road Charge pilot allows for the California Transportation Commission and the California State Transportation Agency to better study and comprehend one of the promising alternatives to the gas tax.

Arguments in Support. The California Transportation Commission, who is the sponsor of this bill writes in support that this bill “would implement a recommendation from the Commission’s 2020 Annual Report to the Legislature and would implement a recommendation from the Committee at its February 2, 2021 meeting, both of which have identified testing revenue collection as an important next step on California’s path toward a road charge program.”

Similarly, the California Chamber of Commerce writes in support of this bill that “ensuring continued funds for California’s roadways, bridges, and infrastructure is integral to keeping California’s economy moving. Continuing to advance analysis of how to equitably meet those needs with a diversifying vehicle fuel mix is an important step that the legislature should support.”

Previous legislation: SB 1328 (Beall), Chapter 698, Statutes of 2018 extends the provisions creating the RUC TAC until January 1, 2023.

SB 1077 (DeSaulnier), Chapter 835, Statutes of 2014 requires the CTC to create a RUC TAC in consultation with the Secretary of the Transportation Agency and repealed those provisions January 1, 2019.

REGISTERED SUPPORT / OPPOSITION:

Support

American Automobile Association of Northern California, Nevada & Utah
Automobile Club of Southern California
Bay Area Council
Bay Area Rapid Transit (BART)
California Chamber of Commerce
California Transit Association
California Transportation Commission
City/county Association of Governments of San Mateo County
Coalition for Clean Air
Communities for A Better Environment
East Bay for Everyone
Engineering & Utility Contractors Association DbA United Contractors
Environment California
Environmental Defense Fund
Fossil Free California
Natural Resources Defense Council (NRDC)
Northern California Carpenters Regional Council
Orange County Transportation Authority
Peninsula Corridor Joint Powers Board (CALTRAIN)
San Mateo County Transit District (SAMTRANS)
San Mateo County Transportation Authority
Sierra Club California
Smith, Watts & Hartmann
Solano Transportation Authority
Southern California Contractors Association
Transportation California
Union of Concerned Scientists
Vulcan Materials Company

Opposition

None on file

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