



California Road Charge



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.



What is a Road Charge?

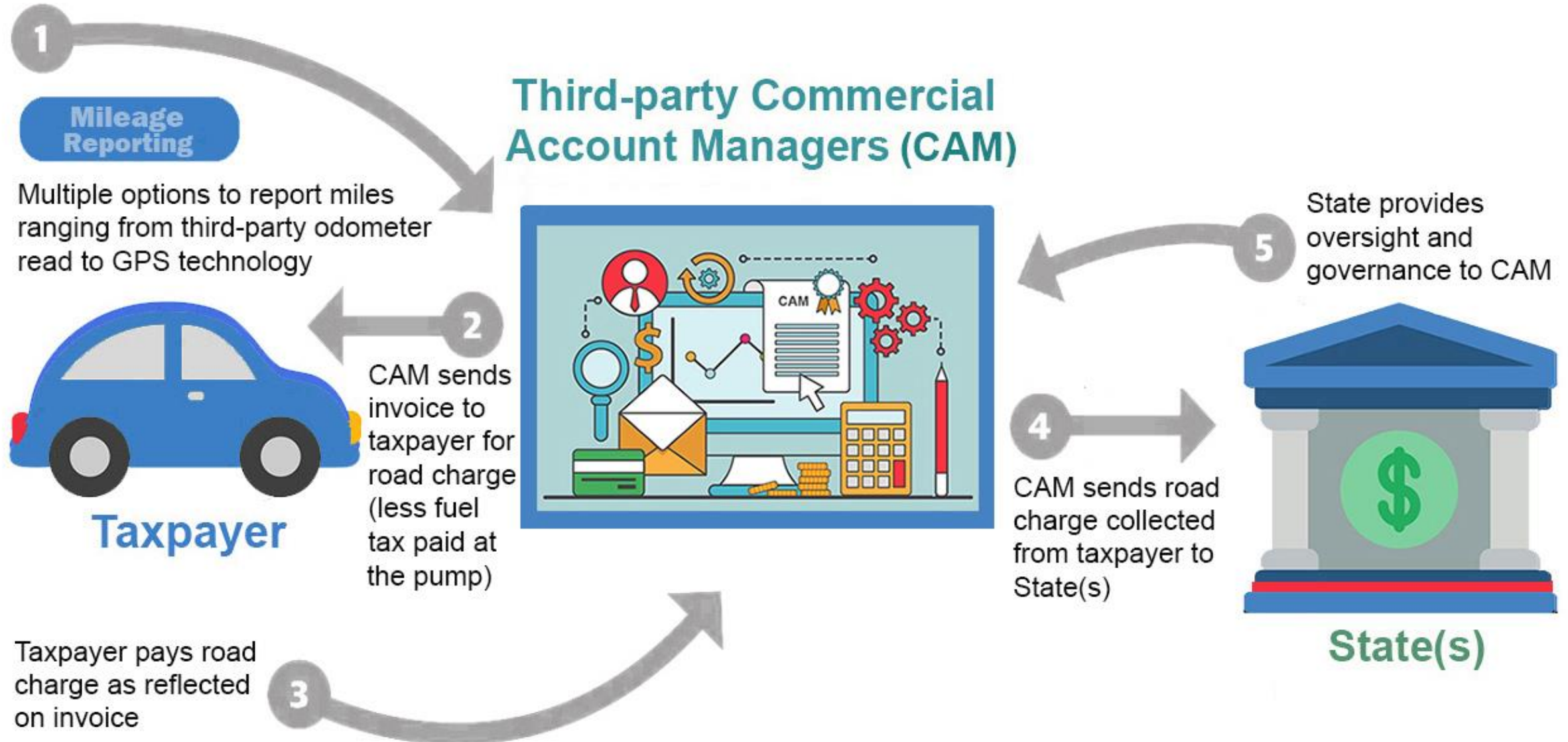
Road Charge is an innovative funding mechanism intended to replace the current gas tax, and more accurately ensures that all drivers are paying their fair share to use the road. Road Charge allows drivers to support local road and highway maintenance based on how many miles they drive, instead of how 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 System Structure



Mileage Reporting Methods



Low Technology Options



Time Permit



Mileage Permit



Odometer Charge

High Technology Options



Plug-in Device



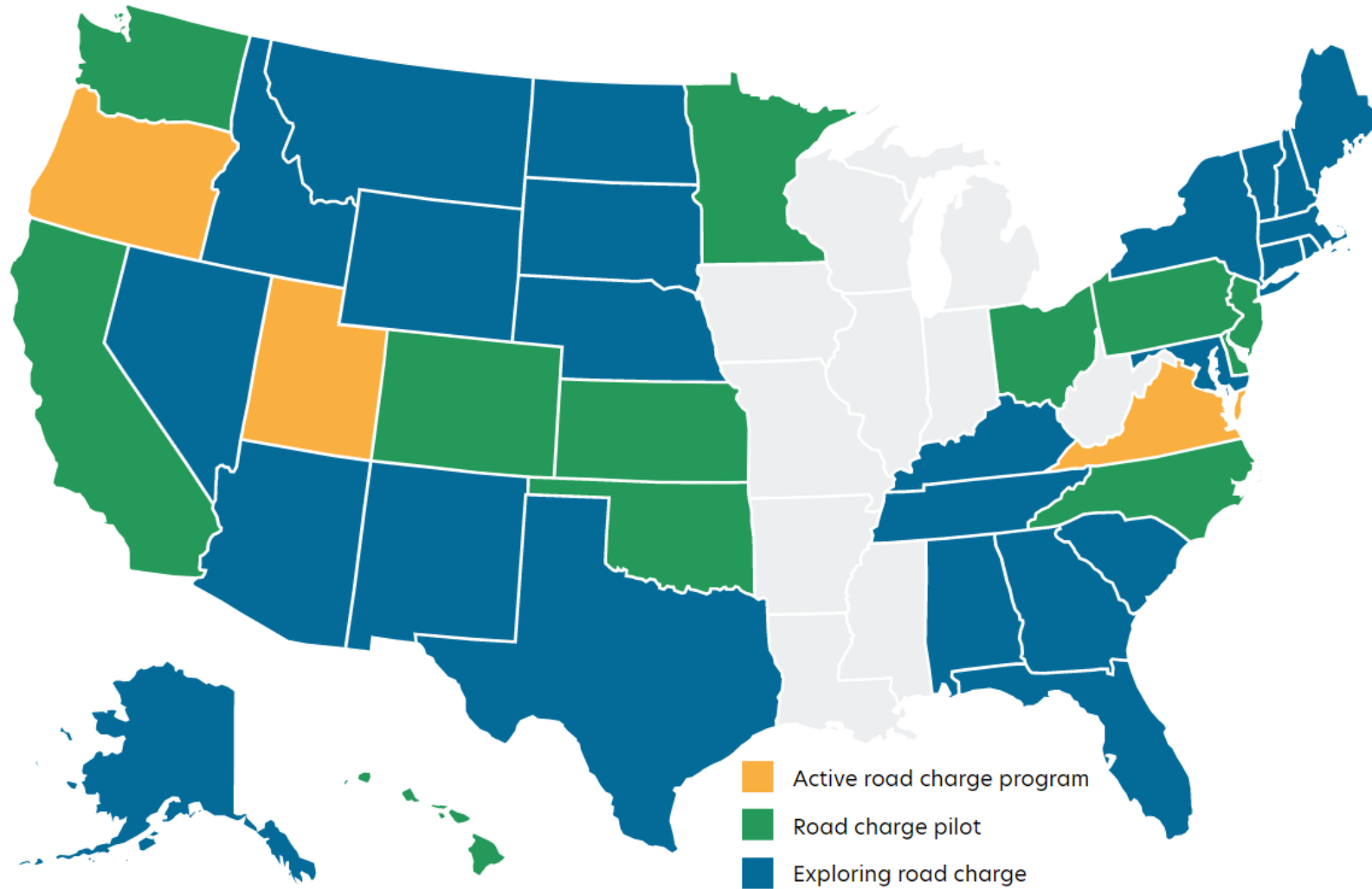
Smartphone App



Built-In Technology



The National Picture



In addition, several nations around the world have implemented distance-based charging including Belgium, Germany, and New Zealand, and many other nations are considering this option.



With the Governor's Executive Order banning the sale of gas-powered vehicles in 2035, can a Road Charge be implemented in time?

- ▶ **Based on the experience of other states, and given the size and complexity of California, we expect the Legislature would want to explore a phased approach to potential implementation.**
- ▶ **Such a phased rollout could likely be accomplished in 10–12 years.**
- ▶ **As long as ZEVs are transitioned before 2035, there will not likely be long-lasting impacts to revenue.**



National Research on Impacts on Rural Drivers

- ▶ **Eastern Transportation Coalition**

https://tetcoalitionmbuf.org/wp-content/uploads/2022/02/Exploration-of-Mileage-Based-User-Fee-Approaches-for-All-Users_Condensed-1.pdf (2022)

- ▶ **RUC America**

http://www.caroadcharge.com/media/vktnxgu/rucamerica_urbrur_finalreport_2022-09-16.pdf (2022)

- ▶ **Washington State**

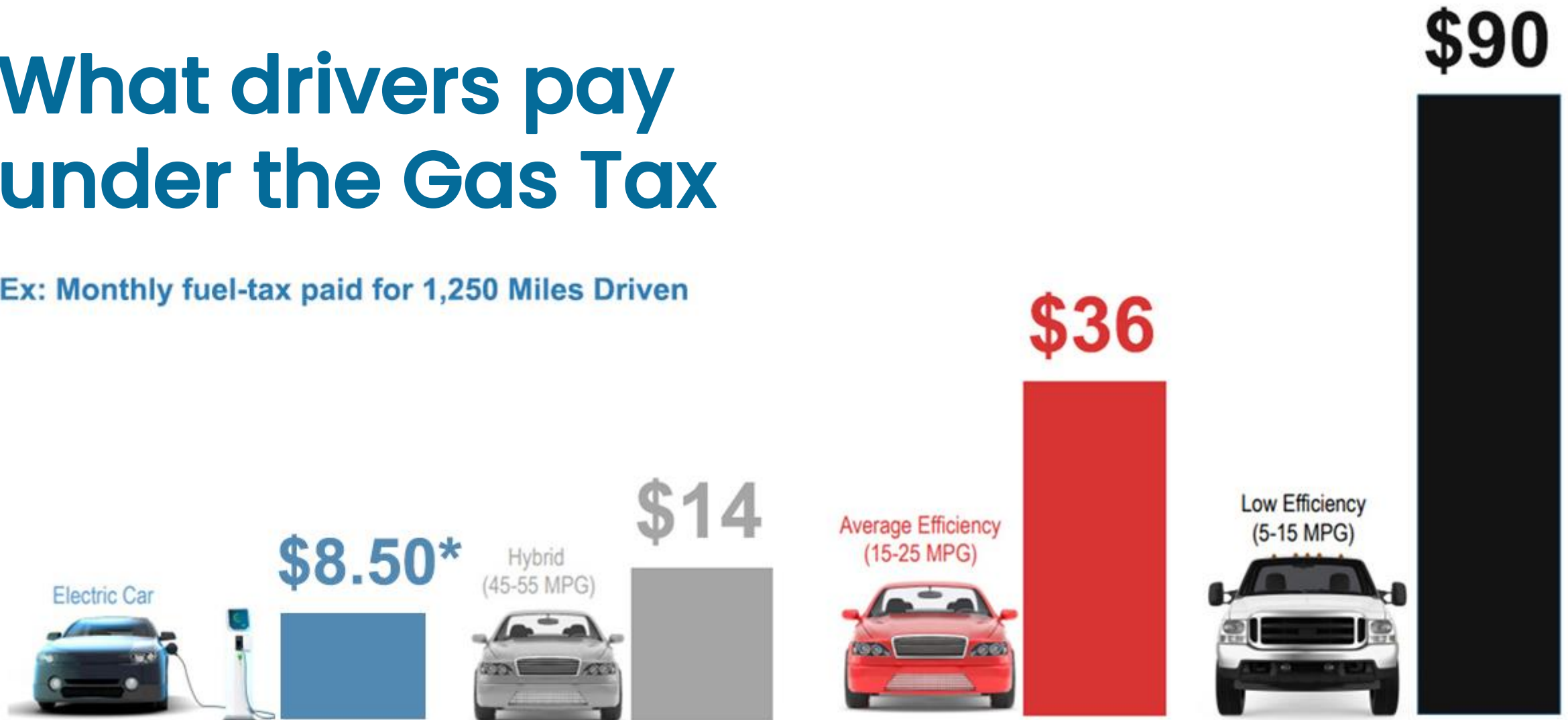
https://waroadusagecharge.org/wp-content/uploads/2020/01/WSTC-Final-Report-Vol-1-WEB-2020_01.pdf (2020)

- ▶ Electrification of vehicles and improved fuel efficiency of vehicles over time has widened the fuel efficiency gap between urban and rural households.
- ▶ Rural drivers have less efficient vehicles compared to urban drivers.
- ▶ The gap between what rural and urban drivers pay is increasing over time.
- ▶ Rural drivers on average pay less with Road Charge than they do with current fuel tax structures.



What drivers pay under the Gas Tax

Ex: Monthly fuel-tax paid for 1,250 Miles Driven



* \$102 Road Improvement Fee is assessed on all model year 2020 and later zero emission vehicles

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Calculated at 2.5 cents per mile, \$31.25 round to \$32

Public/Private Roads Project

- ▶ This project will explore the ability of current GPS technology to differentiate between public and private roads in a road charge system.
- ▶ We will partner with the Transportation Corridor Agencies to test a tolling agency as a commercial account manager.
- ▶ Live in 2023.

- ▶ *The project is the first in the nation specifically focused on engaging rural and tribal communities to understand their concerns and priorities for a road charge system.*



What does Road Charge mean for the Rural Community?

- ▶ Potential to lower taxes for rural drivers
- ▶ Potential to decrease volatility in diesel prices
- ▶ Potential to avoid charges on private property
- ▶ How might it impact bulk fuel purchases?
- ▶ How might it impact dyed fuel use? Use of mixed fuels, propane, etc.?
- ▶ How might it impact freight rates?
- ▶ Other important impacts?



The background of the slide is a photograph of a winding asphalt road through a green valley at sunset. The sun is low on the horizon, creating a warm orange and yellow glow. In the distance, there are layers of hazy mountains. A single tree stands on the left side of the road. A large white circle is overlaid on the left side of the image, containing the title and a list of bullet points.

Proposed Engagement

- ▶ A staff conversation about impacts, concerns, and priorities for a Road Charge system in California
- ▶ Participation in our upcoming pilot
- ▶ Local Government/Community Group Meetings



Questions?

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