

Enhancing the California Road Charge Pilot Program

Annual Report – Fiscal Year 2017



Submitted By:

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Purpose

This is the first annual report, required under Section 5(b) of the FAST Act, STSFA grant agreement entered into between FHWA and the California Department of Transportation (Caltrans). This report describes how the demonstration activities carried out with grant funds meet the objectives of the FAST Act STSFA Program.

Background

California's Road Charge Pilot Program (RCPP)

As California and the entire nation transition away from fossil fuels, we cannot continue to rely solely on the gas tax to fund the maintenance and operations of our vital transportation system. Beginning in 2013, California initiated investigations into a mileage-based user fee. In September 2014, the citizens of California passed legislation was passed to conduct a pilot of a road usage charge as an alternative to the gas tax. And in early 2017, Californians voted in favor of the Road Repair and Accountability Act of 2017 (Senate Bill 1, Statutes of 2017, Beall), designed to address the state's transportation infrastructure repair and maintenance needs.

The passage of the Road Repair and Accountability Act provided California the opportunity to thoughtfully develop a sustainable, equitable transportation revenue mechanism to eventually replace the gas tax. Finally, in March 2017, the California Department of Transportation (Caltrans) concluded the nine-month live California Road Charge Pilot Program (RCPP), the largest in the nation with over 5,000 vehicles driving more than 37 million miles.

2016 FHWA FAST Act STSFA Grant

In 2016, Caltrans was awarded a federal grant from the Federal Highway Administration (FHWA) under the Fixing America's Surface Transportation (FAST) Act Surface Transportation System Funding Alternatives (STSFA) program. Caltrans defined three projects to meet the objectives in the grant and to enhance California's Road Charge Pilot Program (RCPP).

The primary project objectives are to:

1. Expand Education and Outreach
 - a. Provide the public with information related road usage charge.
 - b. Develop research initiatives aimed at informing the public on the current system of generating revenues for transportation infrastructure, how those funds are distributed and used.
 - c. Provide an open and transparent forum for the discussion of road charge as an alternative to the gas tax.
2. Develop Organizational Structure and Compliance Program
 - a. Define organizational structure for California's road charge program
 - b. Examine and identify improvements to the current gas tax revenue model
 - c. Identify enforcement and compliance strategies
3. Demonstrate a Pay-at-the-Pump/Charging Station Model
 - a. Identify technology solutions for a Pay-at-the-Pump/Charging Station model
 - b. Select viable Pay-at-the-Pump/Charging Station software/applications

- c. Demonstrate the effectiveness of the Pay-at-the-Pump/Charging Station software/applications through both internal testing and a live pilot

FAST Act STSFA Goals mapped to Caltrans Objectives

The table below summarizes the FAST Act STSFA Goals and maps Caltrans' RCPP project objectives (listed above) to these goals.

| FAST Act STSFA Goals | Caltrans RCPP Objectives | | |
|--|--------------------------|---|---|
| | 1 | 2 | 3 |
| 1. Test the design, acceptance, and implementation of 2 or more future user-based alternative revenue mechanisms. | | ✓ | ✓ |
| 2. Improve the functionality of such user-based alternative revenue mechanisms. | ✓ | ✓ | ✓ |
| 3. Conduct outreach to increase public awareness regarding the need for alternative funding sources for surface transportation programs and to provide information on possible approaches. | ✓ | | ✓ |
| 4. Provide recommendations regarding adoption and implementation of user-based alternative revenue mechanisms. | | | ✓ |
| 5. Minimize the administrative cost of any potential user-based alternative revenue mechanisms. | | ✓ | ✓ |
| 6. Minimize the administrative costs associated with the collection of fees. | | ✓ | ✓ |

Overall Project Health

The following table indicates the current overall health of each of the three RCPP projects according to scope, schedule, and budget.

| Task | Overall Health | | Budget | | Schedule | |
|---|----------------|---------|-------------|------------|------------------|------------|
| | Prior | Current | Baseline* | % Variance | Planned End Date | % Variance |
| Education and Outreach | | | \$1,000,000 | 0% | June 2018 | 0% |
| Organizational Structure & Compliance Program | | | \$277,000 | 0% | June 2018 | 0% |
| Pay-at-the-Pump/Charging Station | | | \$250,000 | 0% | June 2018 | 0% |

* Includes in-kind contributions

Project Health Key

| | |
|--|---|
| | Good - On schedule, within budget, within scope. |
| | Potential Issues with scope, schedule, or budget – can be resolved with proactive and/or corrective action. |
| | Serious Issues with scope, schedule, or budget. Project will be delayed or have budget overrun. Corrective action required. |

Budget Status

The following table indicates the total estimated cost for each RCPP project, as reflected in Caltrans' 2016 STSFA FAST Act Grant Proposal.

| Task | Estimated Cost | Federal Funds | State Funds | In-Kind Contribution |
|---|--------------------|------------------|------------------|----------------------|
| Education & Outreach | \$1,000,000 | \$500,000 | \$460,600 | \$39,400 |
| Organizational Structure and Compliance Program | \$277,000 | \$125,000 | - | \$152,000 |
| Pay-at-the-Pump / Charging Station | \$250,000 | \$125,000 | \$73,500 | \$51,500 |
| Total Estimated Cost | \$1,527,000 | \$750,000 | \$534,100 | \$242,900 |

The following table indicates the total amounts spent on each RCPP project as of December 2017.

| Task | Federal & State Funds | Amount Spent | % Exp ended | In-Kind Contribution | In-Kind Services | % In-Kind |
|---|-----------------------|--------------------|-------------|----------------------|------------------|------------|
| Education & Outreach | \$960,600 | \$13,925.41 | 1.4% | \$39,400 | \$31,760 | 81% |
| Organizational Structure & Compliance Program | \$125,000 | \$0 | 0% | \$152,000 | \$11,158 | 7% |
| Pay-at-the-Pump/Charging Station | \$125,000 | \$0 | 0% | \$51,500 | \$19,044 | 37% |
| TOTAL | \$1,284,100 | \$13,925.41 | 1% | \$242,900 | \$61,962 | 26% |

Project Status

Education and Outreach

Expanding upon ongoing efforts to engage the public in discussions on transportation funding and alternative methods of revenue generation.

- Development of core messages, creative strategy, and partnership strategy for the research elements of the education and outreach.
- Developed online survey in Spanish and English, for release in early 2018
- Planned for focus groups in the upcoming year.

Organizational Structure & Compliance Program Development

Working in partnership with the California Department of Motor Vehicles (DMV) to leverage and expand the data collected during the Road Charge Pilot Program (RCPP) to formulate a streamlined system of administration, oversight, and compliance.

- Conducted stakeholder interviews with California governmental organizations that either already perform functions pertaining to the current fuel tax or may have a future role in administering, enforcing, and supporting a statewide road charge program. Currently, stakeholders include:
 - The California Department of Motor Vehicles
 - The California Department of Tax and Fee Administration
 - The California Highway Patrol
 - The California Department of Insurance
 - The California Bureau of Automotive Repair
 - The Federal Highway Administration – California Division
 - Sacramento County Weights and Measures Office
- Planned an organizational visioning workshop to be conducted in the first quarter of 2018.
- Began developing cash flow modeling and enforcement/compliance strategies.

Pay-At-The-Pump/Charging Station

Exploring an alternative method of collecting revenue for road use by assessing a mileage-based user fee that replicates the current gas tax collection mechanism; evaluating the feasibility of eventually replacing the current excise tax method.

- Developed drafts of the Request for Information (RFI), research plan, and Concept of Operations outline.
- Developed the RFI distribution list.
- Planned for RFI release as well as an informational teleconference in the first quarter of 2018.

Conclusion and Next Steps

During 2018, the RCPP projects funded by the STSFA Fact Act 2016 Grant will come to a close. Following completion of each project in the 2016 STSFA grant, Caltrans will produce a report that provides a quantitative and qualitative analysis of achievements, potential future challenges, opportunities to deploy on a broader scale, and recommendations for next steps. The outcomes of these activities will help inform the work for the 2017 STSFA grant California received.

To finish out the 2016 grant-funded RCPP projects, the following high-level tasks will be completed:

- **Education & Outreach**
 - Execute the online survey
 - Incorporate survey findings into messaging strategy
 - Analyze online survey results, draft and finalize survey report
 - Finalize creative materials for focus groups
 - Conduct focus groups

- Update core messages based on focus groups
- Update creative direction based on focus groups

- **Organizational Structure & Compliance Program Development**
 - Collaborate with DMV on the organizational framework
 - Develop a functional assessment of the cash flow modeling needs and research alternative models
 - Initiate the compliance program tasks

- **Pay-at-the-Pump/Charging Station**
 - Finalize research plan
 - Issue RFI for Pay-at-the-Pump/Charging Station
 - Receive and assess and summarize RFI responses
 - Identify viable solutions
 - Meet and discuss with potential vendors further discussion