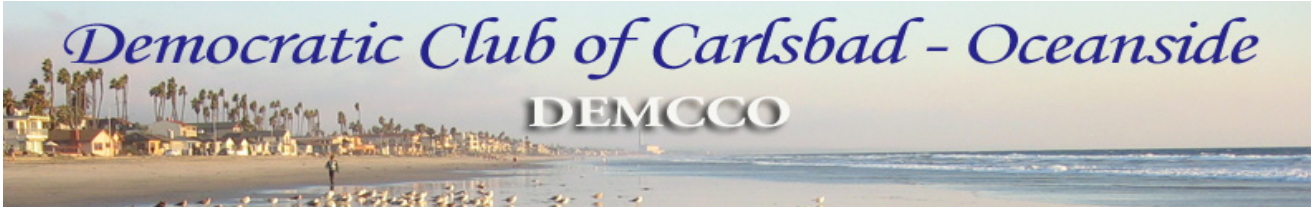

P.O. Box 871
Oceanside, CA 92049
www.DEMCCO.org

March 27, 2015

California Transportation Commission
Attn: Road Usage Charge Technical Advisory Committee (RUC TAC)
1120 N Street, MS-52
Sacramento, CA 95814
Via Email to ctc@dot.ca.gov

Re: Comments on the Design of a RUC Pilot Program

Dear CTC Chair Guardino, CTC Members, and Members of the RUC TAC:

The Democratic Club of Carlsbad and Oceanside (DEMCCO) appreciates the opportunity to communicate with you concerning this important topic, as you begin your SB 1077 mandated study of RUC alternatives to the gas tax, leading to recommendations to the Secretary of the Transportation Agency on the design of a pilot program.

Background Regarding DEMCCO's Interest in a RUC

On February 19th of 2014, after a robust debate, we passed the resolution shown in Appendix A, in favor of what we termed a "road-use fee pricing and payout system". The understanding that our society needed fundamental change won out over all of the very understandable misgivings about supporting such a fundamental change. At the time, there were no such proposals in our state government. We respectively ask you to please carefully read our resolution, shown in its entirety in Appendix A, and apply it to your work. References 1 and 2 provided the basis for some of the statements in our resolution.

We have included Appendix A because we feel it embodies the features that are necessary in a responsible RUC.

Our support for a RUC is based on the following requirements:

- Well maintained roads

- Full cost pricing, to include both direct and indirect costs, including the environmental and health costs resulting from driving.
- A return of the money to those losing money under the current system (including tax payers ,who are paying general taxes that are going to subsidize roads), so that no one pays twice for roads

The second requirement is motivated in part by our conviction that cars and trucks should support the needed greenhouse gas (GHG) reductions needed to support climate stabilization. Other than hardship cases of necessary trips by low-income drivers, there is no reason to subsidize driving.

California Democratic Party (CDP) Support

We are proud that our own CDP has realized the need for transportation reform and climate stabilization. As stated in the CDP Platform, we should all do the following, where emphasis has been added to show the applicability to a RUC:

- Work for *equitable and environmentally-sound road* and parking *operations*; and,
- Provide support for driving reduction targets shown to stabilize the climate at a livable level

We hope that Democrats, Republicans and others will recognize the value of these common-sense statements of needed advocacy.

High Level Features Leading to Technology Choices

We restrict our remaining comments to a listing of the required, high-level features of a good RUC and statements about why they are important to the design of a pilot project. These come directly from our resolution.

Required features of a RUC:

1. Would cover all road-use costs, including the environmental and health costs caused by driving;
2. Could still include a fuel tax or fee;
3. Would mitigate impacts on low-income users;
4. Would protect privacy;
5. Would include congestion pricing when that technology becomes feasible;
6. Would keep the per-mile price incentive to drive energy-efficient cars at least as large as it is with today's fuel excise tax; and
7. Would send its earnings to all citizens and institutions that are losing money under the current system, in which:
    - general tax and other hidden subsidies (such as development fees used for roads) are used to operate and maintain roads and

- environmental and health costs are paid by the general public

The goal of Feature 7 is to achieve a set of full compensations.

Since few citizens can reasonably be expected to pay significantly more for transportation, Feature 1 must be offset by the careful design of Feature 7. Bluntly, the RUC should not be viewed as a "cash cow". Feature 5 is important because we will not bring on-road-transportation greenhouse gas (GHG) emissions down to levels supporting climate stabilization by only increasing vehicle efficiency; we must also have significant driving reductions. This means that congestion must be solved by congestion pricing, rather than by highway expansions (which have never worked, in any case.) The phrase "congestion pricing" will ultimately be understood to mean instantaneous pricing, as a function of traffic flow rates, so as to eliminate congestion. This leads to the important conclusion that the system most likely needs to be GPS based with an overlay of additional information exchange.

All of the other features can be guaranteed by the early adoption of a comprehensive and unambiguous systems engineering *Requirements Document*. We recommend bringing systems engineers into your process as soon as possible.

Concluding Remarks

Please let us know how we can help you in your important work. We note that the January/February 2015 issue of the American Automobile Association's magazine, *Westways*, states that the AAA will seek participation on your TAC. We request that the environmental community also be well represented on the TAC.

We all have a large stake in achieving climate stabilization, economic justice, and well-maintained roads.

Thank you for your leadership.

Sincerely,

Ken Clarence
President
DEMCCO
760-603-8600
kenclarence@yahoo.com

References

1. *Gasoline Taxes and User Fees Pay for Only Half of State & Local Road Spending*, Joseph Henchman, Tax Foundation, January 3, 2014. http://taxfoundation.org/article/gasoline-taxes-and-user-fees-pay-only-half-state-local-road-spending
2. *Group Wants Tax Hike for Road Bridge Fixes*, Chris Nichols, San Diego Union Tribune, November 19, 2013. http://www.utsandiego.com/news/2013/Nov/19/tp-group-wants-tax-hike-for-road-bridge-fixes/

Appendix A

Approved by the Democratic Club of Carlsbad & Oceanside, by a 1/25/14 Membership Vote and a 2/19/14 E-Board Vote

A Privacy-Protecting, Road-Use-Fee Pricing & Payout System to Help Solve Climate, Congestion, Deferred Road Maintenance, and the Social Inequity of Using General Funds to Maintain Roads, Since that Money is Needed for Such Things as Transit, Food Stamps, and Education

WHEREAS, greenhouse gas (GHG) emissions must be significantly reduced; about 35% of California's GHG is caused by on-road vehicles; and, given prospects for fleet efficiency, to reach climate stabilization requirements, it will be necessary to reduce driving; and

WHEREAS, in California, user fees (gas tax and/or tolls) only total to 22.7% of the amount spent on roads; having the true cost of road use hidden increases driving, adding significantly to air pollution, congestion, sprawl, and GHG emissions; a 2011 assessment conducted by the California Transportation Commission found that 58 percent of the state's roads require rehabilitation or pavement maintenance, 20 percent of bridges need major or preventive maintenance, and 6 percent of bridges require complete replacement; construction jobs are needed; and on July 11, 2009, Sierra Club California passed a resolution supporting a "comprehensive road-use fee pricing system"; and

WHEREAS, the "gas tax" is currently our most significant road-use fee; state-mandated increases in fleet mileage and battery-electric vehicles will result in declining "gas tax" revenue; and a "gas tax" cannot properly account for time, place, driver income, vehicle weight, vehicle pollution level, or roadway congestion level;

THEREFORE, BE IT RESOLVED, that DEMCCO supports a road-use fee pricing and payout system that (1) would cover all road-use costs, including the environmental and health costs caused by driving; (2) could still include a fuel tax or fee; (3) would mitigate impacts on low-income users; (4) would protect privacy; (5) would include congestion pricing when that technology becomes feasible; (6) would keep the per-mile price incentive to drive energy-efficient cars at least as large as it is with today's fuel excise tax; and (7) would send its earnings to all citizens and institutions that are losing money under the current system, with the goal being to achieve a full and just compensation.

BE IT FURTHER RESOLVED, that this support be communicated to our San Diego County Democratic Party Central Committee.

Note: The information supporting the first sentence in the second "Whereas" statement comes from http://taxfoundation.org/article/gasoline-taxes-and-tolls-pay-only-third-state-local-road-spending.

Gerald Cauthen & Associates

Independent Transportation Consultant

[redacted]

Oakland CA 94610

April 19, 2015

California Transportation Commission

Attn: Road Usage Charge Technical Advisory Committee (RUC TAC)

1120 N Street, MS-52

Sacramento, CA 95814

Re: Initial Comments on the Design of a RUC Pilot Program

Dear CTC Chair Guardino, CTC Members, and Members of the RUC TAC:

On January 19, 2015 Mr. Mike Bulloch of Oceanside California sent you a letter responding to the subject program. My general responses are similar to his. What follows are partly extracts from his letter:

RUC Policies

In order to meet the requirements of AB 32, SB 32, SB 375, California Executive Order S-3-05, and increasingly stringent federal requirements, the following concepts are clearly important and should therefore be embodied in a RUC program:

- Streets and highways should be well maintained.
- Motorists and truckers should pay the costs of building and maintaining roadways in proportion to the amount of wear and tear they cause to those roadways.
- Motorists and truckers should also underwrite the full environmental and health costs resulting from their driving.
- Transportation GHG emissions should be low enough place the State of California in a position of leadership in so far as climate stabilization is concerned.

Substantiating Voices

Reducing the public subsidies that now encourage solo-driving is a necessary mitigation measure of any state or regional transportation plan. In general it is essential that the benefits of public

roadways paid for by tax dollars be distributed fairly to all users. HOT lanes do not represent a fair distribution of public benefits.

As stated in the California Democratic Party's Platform (Ref. 5), we should:

- "Work for equitable and environmentally-sound road and parking operations; and".
- "Motivate travelers to reduce the amount their solo driving to reduce GHG emissions targets shown to stabilize the climate at a livable level".

Important features of a Roadway Usage Charge Program:

- Would cover all roadway maintenance and other capital costs, as well as the environmental and public health costs caused by driving;
- Would encourage use of fuel efficient vehicles, by gradually increasing the tax on fuel consumption;
- Would encourage less driving by the imposition of roadway use fees;
- After providing for needed road maintenance, would allocate the surpluses to building up the mass transit alternatives to driving, and reimbursing those directly damaged by driving and roadway activities;
- Would mitigate the impacts of the new charges on low-income users;
- Would protect privacy;
- Would impose congestion pricing when and as necessary.

It would not be possible to sufficiently reduce GHG emissions just by improving vehicular efficiency. Also needed will be a significant reduction in the amount of driving, especially solo-driving. This will require the imposition of substantial incentives to drive less.

Concluding Remarks

California can and should play a lead role in climate stabilization. It should also improve the current state of its streets and highways and ensure a fair and prudent distribution of fuel and roadway revenue surpluses.

Sincerely,

Gerald Cauthen PE

[redacted]

former Director Muni Transportation Improvement Program
former Parsons Brinckerhoff Transportation Vice President and Senior Engineering Manager
former Korve Engineering Manager of Transit Systems

Date: April 22, 2015

To: California Transportation Commission, Members, Road Charge Technical Advisory Committee

From: Robert Gutierrez, Director, California Tax Foundation

Subject: Road Charge Compliance and Collection Issues

California is considering a pilot project to potentially replace the gas tax with a vehicle miles traveled road charge. In order for such a pilot project to be successful, California must consider a number of transitional issues while discussing the framework for such a program. To date, it appears that some of these issues are absent from the existing dialogue.

In response to the California Transportation Commission's Technical Advisory Committee's (TAC) meeting scheduled for April 24, these transitional issues arise with regard to the Operational Concepts and Enabling Technologies & System Architecture (Agenda Item No. 7) and Organizational Design Features in Pilot (Agenda Item No. 8).

While there are other taxpayer issues involved in developing a pilot project, CalTax would like the Technical Advisory Committee to consider the following issues for its April meeting:

I) Tax Collection and Administration

Under the Road Charging System, "Road Charge Management" is the "new body created in California government" responsible for tax collection and administration (discussed on pages 17-27 of the April Briefing Book). Under existing law, the State Board of Equalization (BOE) collects and administers the excise tax on transportation fuels, while also serving as an appeals body resolving tax disputes.

It is uncertain if the BOE would continue to administer such revenue under a future mileage charge, or if "Road Charge Management" would consider appeals and resolve disputes. The pilot project should have a built in ability to process wrongful assessments. For example, if a motorist sells their vehicle and the new owner drives additional miles, but the old owner is billed for the post sale miles driven, how does the old owner seek a refund? What role would the Department of Motor Vehicles (DMV) play in this proposal since it has the role of registering car ownership and licensing drivers? There appears to be substantial overlapping responsibilities between "Road Charge Management" and today's DMV which should be addressed in the design phase of the pilot. To enforce compliance with a road charge, TAC should also consider whether "Road Charge Management" or a commercial account manager would have the authority to place a lien on a vehicle that has a delinquent tax liability.

The BOE already has the framework in place to effectively and efficiently collect revenue and deal with administrative issues. In considering alternative administrative entities or even tax collection privatization, TAC should keep this in mind.

II) Tax Compliance

Taxes should be simple. Intricate filing requirements make compliance more difficult. State and local governments should always seek to develop a simplified tax system to reduce compliance costs.

Existing fuel taxes are simple – consumers pay the tax at the pump when purchasing a gallon of fuel. The tax is nearly impossible to evade and the existing structure eliminates the need for a large enforcement program, state auditors and other state personnel needed to collect the tax. Further, existing fuel taxes (until the recent advancement of alternative fuel systems) has been relatively fair – the more fuel purchased, the more motorists paid to fund roads and highways.

On a more practical matter, TAC should address the burden of compliance. Specifically, who will pay for the cost of installing or equipping vehicles with the technologies discussed in the April Briefing Book? Beyond the pilot project, what impact would such a mandate have on California's economy?

In terms of interacting with an account manager – either a state or private manager – TAC should consider the taxpayer experience. Will motorists find it cumbersome to pay a large lump-sum charge that was previously paid incrementally when refueling their vehicle? How will this new process be a simple one? At the very least, TAC should give more thought to how compliance will work for unbanked taxpayers or taxpayers with poor credit (refer to page 9 of the April Briefing Book).

III) Double Taxation

The April Briefing Book notes that it is possible double taxation could be an issue, as the Legislature may choose to phase in a road charge system to replace the gas tax. In response to double taxation, the idea of fuel tax credits are proposed on page 47. While automated methods of measuring fuel consumption would appear to be much more developed, manual methods of calculating fuel consumption creates opportunities for widespread fraud. Allowing motorists to scan and send paper receipts to the state to obtain a refund of the gas tax will be extremely costly to administer and audit on even a statistically valid sample of potentially millions of modest individual refund claims. While CalTax appreciates the desire to eliminate double taxation, this issue needs to be more thoroughly vetted currently and in concert with the examination of technology options.

IV) Taxpayer Protections

Beyond the significant privacy issues which TAC will address at a later hearing, the April Briefing Book raises a number of questions for how taxpayer information will be safeguarded. This issue is particularly important as TAC further develops the role of the account manager (discussed on pages 24-27).

In developing an alternative to the gas tax, California could potentially outsource tax administration to "commercial account managers." As California's

motorists begin providing bank account information, credit card numbers and social security numbers to private entities, what safeguards and remedies will be in place if the account manager has a security breach and information is stolen? Will the account manager offer taxpayers identity theft protection or reimbursement? How will the commercial account managers' compensation be fairly calculated as a tax collector? Again, a broader approach to the pilot project should incorporate many of these practical and legal concerns along with reviewing technology empowered options to capture road use data.

V) Out-of-State Motorists: Who Pays the Tax?

Currently, the gas tax burden is shared by in-state and out-of-state motorists. When out-of-state motorists refuel in California, they help fund California's roads. The April Briefing Book raises the question of "Should the pilot assess road charges on out-of-state vehicle owners driving on California roads?" (pages 11-12 and pages 50-53). Without disrupting interstate commerce, TAC needs to provide more thought to how a road charge could distribute the cost of funding infrastructure for out-of-state motorists. TAC should ensure that the tax burden for financing roads does not shift to California motorists. All road users should help cover the costs of financing roads. In doing so, it would seem to make sense to include small sample of out-of-state motorists in the pilot project to examine such issues.

Thoughtful consideration has been provided to the operational and technological components of the pilot project. But, if California is to develop an advanced pilot project which could one day replace the gas tax, outstanding tax and fiscal policy issues need to be more thoroughly discussed and included in the design of the pilot project. CalTax would prefer to discuss these issues sooner rather than later, so that stakeholders can sufficiently discuss the design of the tax/fee structure and the taxpayer experience in paying for road charges.

TAMC
TRANSPORTATION AGENCY
FOR MONTEREY COUNTY

55-B Plaza Circle, Salinas, CA 93901-2902 • Tel: (831) 775-0903 • Website: www.tamcmonterey.org

April 24, 2015

Jim Madaffer, Chair
Road Charge Technical Advisory Committee
California Transportation Commission
1120 N Street, MS-52
Sacramento, California 95814

RE: Transportation Agency Comments on the California Road Charge Pilot Program

Jim
Dear ~~Chair~~ Madaffer:

As the Regional Transportation Planning and Congestion Management Agency for Monterey County, the Transportation Agency for Monterey County is supportive of the Road Charge Technical Advisory Committee's efforts to evaluate the potential for mileage-based revenue collection for California's roads and highways as an alternative to the gas tax system.

As has been discussed at your previous committee meetings, the current structure of using gas tax revenues as a means to finance public infrastructure improvements is proving to be unsustainable over the long-term. With increasing fuel efficiency in modern vehicles, including the promotion of electric and hybrid vehicles, the receipts and purchasing power of gas tax revenues will continue to decline even as vehicle miles travelled are projected to increase.

Compounding this issue for the public agencies that are charged with funding and delivering transportation improvements to State highways and local streets and roads, is the potential volatility of gas tax revenues that filter in to funding programs, such as the State Transportation Improvement Program. Current forecasts show that the 2016 State Transportation Improvement Program may be subject to a fifty percent decrease in funding, directly related to a reduction in fuel sales.

For Monterey County, this means that high-priority safety and capacity improvements that are funded with State Transportation Improvement Program dollars, such as the Highway 156 Improvement Project, may need to search for new sources of funding.

As the Road Charge Technical Advisory Committee develops its pilot program, the Transportation Agency recommends consideration of the following issues:

April 24, 2015

1. **Funding Stability**: The pilot program should promote a stable source of transportation improvement funding that is indexed with construction cost inflation.

2. **Equity in Implementation**: Under the current structure, the gas tax is applied in a manner where larger vehicles that are less fuel efficient will contribute more in revenues. This basic structure should be maintained in the pilot program to incentivize the conversion of the vehicle fleet to lighter, more efficient models that place less stress on the roadways.

3. **System Flexibility**: To ensure the highest adoption rate possible, participants in the pilot program should be given several options for tracking vehicle miles travelled and paying the mileage-based fee. Options used by other agencies to track mileage include GPS-trackers, cell phone applications, odometer readings, or simply assessing a flat monthly fee.

4. **Existing Formulas**: Any revenues that are generated from the pilot program and future mileage-based fee programs should be distributed using the existing formulas, as with the gas tax revenue. This will ensure consistent funding levels for important programs such as the State Highway Operation and Protection Program and the State Transportation Improvement Program.

5. **Flexible Dollars**: Similar to using the existing formulas for revenue distribution, the funding generated for transportation improvements under a mileage-based program should also maintain flexibility. Currently, the gas tax can be used to fund a variety of projects – highways, local streets and roads, transit, and active transportation – and future mileage-based programs should continue that flexibility to ensure that priority projects of all modes receive needed funding.

6. **Regional Coordination**: Finally, coordination with regional agencies is integral to ensuring that priority projects are constructed that meet the transportation needs of the local population. Revenues that are raised and allocated for transportation improvements through a mileage-based program should contain a strong regional component, and be used to supplement the Regional Improvement Program portion of the State Transportation Improvement Program.

The Transportation Agency looks forward to continued participation in the Road Charge Technical Advisory Committee meetings. Thank you for considering our comments on the proposed pilot program. If you have any questions, please contact Michael Zeller of my staff at (831) 775-4416.

Sincerely,

Debra L. Hale
Executive Director