

Statewide Transportation Needs Assessment Revenue Report Template

Revenue Generator *Heavy Duty Vehicle Fees*

Application State

This proposal is a State option managed and collected by DMV.

The Commercial Vehicle Registration Act (CVRA) changed the way DMV registers commercial vehicles and some trailers. The CVRA weight fee is due to registered commercial motor vehicles operated either singly or in combination with a declared gross vehicle weight of 10,001 pounds or more. The majority of the weight fees are composed of CVRA and non-CVRA registration fees, prorated International Registration Plan, and special plate vehicles. In fiscal year 2009/2010, there were 448,000 CVRA and 5,057,000 non-CVRA registered trucks. The average price for CVRA registration was \$750.28 and non-CVRA registration was \$85.05. As of 2011, the revenue from the heavy duty vehicle fees have been redirected by legislation to pay off current general obligation bond debt service for specified voter-approved transportation bonds. This is one of the many changes that occurred due to the Fuel Tax Swap. Any additional increases in heavy duty vehicle fees would be redirected to debt bond service due to legislation.

Introduction

1. The Commercial Vehicle Registration Act (CVRA) changed the way DMV registers commercial vehicles and some trailers. The CVRA weight fee is due to registered commercial motor vehicles operated either singly or in combination with a declared gross vehicle weight of 10,001 pounds or more.
2. The revenue source is consistent and sustainable.
3. Prior to heavy duty vehicle fees being redirected to bond debt service, it was deposited into the State Highway Account for the purpose of highway maintenance, replacement, and repair. If the revenues could be redirected back from bond debt service, system preservation would be the first place the new revenues could be used for.

Yield Potential

1. The potential for revenue generation comparatively to the \$300 billion gap would be relatively **low** in the instance for heavy duty vehicle fees.
2. Currently, heavy duty vehicle fees raise over \$900 million annually. The revenues are collected through the annual vehicle registration operated and managed by DMV.
3. If the fee was to be raised by 10%, the additional annual yield would only around \$90 million. This is on top of the already \$900 million. In fiscal year 2009-2010, the average fee for CVRA was \$750.28 and non-CVRA was \$85.05. A 10% increase would equate to about \$75 increase for CVRA and \$8.51 for non-CVRA registration fees. In 10 years, it would be about an additional \$900 million or \$1.8 billion in total. The additional revenue is only a third of a percent in reaching the \$300 billion gap over 10 years. A significant increase in fees would have to be levied to see any type of potential gap closure.
4. This would only be applicable to commercial motor vehicles and some trailers.

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Use/Restrictions

1. Prior to being diverted, these revenues were used for system preservation so that would be a good place to consider.
2. Heavy duty vehicle fees are a consistent and reliable source of revenue, but currently it is redirected to pay back bond debt service by legislation. Thus, legislation would have to be enacted to change that.
3. Originally was used for system preservation for the state highway system and should probably stay that way if redirected from bond debt service. Commercial trucks are one of if not the largest contributor to road wear and tear. Thus, they should pay their fair share for degrading the highway. Local roads could also benefit from the revenues due to wear and tear from commercial trucks.
4. The revenues if redirected back from bond debt service would be used through the SHOPP and State Highway Maintenance Programs as the fees were used before.
5. Used only for one mode.

Sustainability

1. The revenue has been sustainable for the most part historically. It has grown excluding the effects of the recession. The recession has impacted the revenues by less than 10%. Vehicle registration is a necessary for California commercial vehicles to do business. Thus, this is a necessary business expense. Companies can and will avoid this expense, but for most the expense is unavoidable. As the economy begins to grow again so will demand for products and a portion of those products will be moved in California where commercial vehicle registration will have to be paid.
2. The cost of generating this revenue through fees on companies with commercial vehicles will inadvertently get pushed on the consumer through an increase in consumer product prices. Companies can and will only absorb so much cost before they push the cost on the consumer through price increases.
3. Highway usage and wear and tear need to be more directly charged to the user and heavy duty weight fees accomplish this for some users like commercial vehicles.

Pros/Cons

Address equity, fairness, economic efficiencies and impacts of the revenue proposal.

1. Already has general support if the revenues could just be redirected or the new additional revenue increase be redirected towards system preservation. The heavy duty vehicle fee is already an existing revenue stream just needs to be redirected and increased so commercial vehicles pay more of their fair share of the wear and tear on the roads.
2. Companies that register their commercial vehicles in California. Commercial vehicles contribute a large share of wear and tear on the highway system.

Implementation

1. Effort is low since already exists with DMV. Only increasing the fee. This is contingent on the fact if the revenue can be redirected back to system preservation from bond debt service.
2. Implementation would be short term or could be long term if did an increase every year to a certain target.
3. Limited additional costs as the fee is already collected by DMV.
4. Actions needed at the State level.

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5. For the heavy duty vehicle fee to have any type of significant impact on decreasing the \$300 billion gap the fee needs to be significantly increased. Unfortunately, that still probably would not be enough.

Conclusion/Recommendation

The heavy duty vehicle fees have been redirected towards bond debt service and unless willing to change that then increasing the fee will have no effect on closing the \$300 billion gap.

Reference Materials

DMV

1. <http://www.dmv.ca.gov/commercial/cvra.htm>
2. http://www.dmv.ca.gov/vr/fees/weight_over.htm

Caltrans Chart C

3. http://www.dot.ca.gov/docs/CHART_C_12-13.pdf

