

Mileage based user fees & sustainable transportation funding

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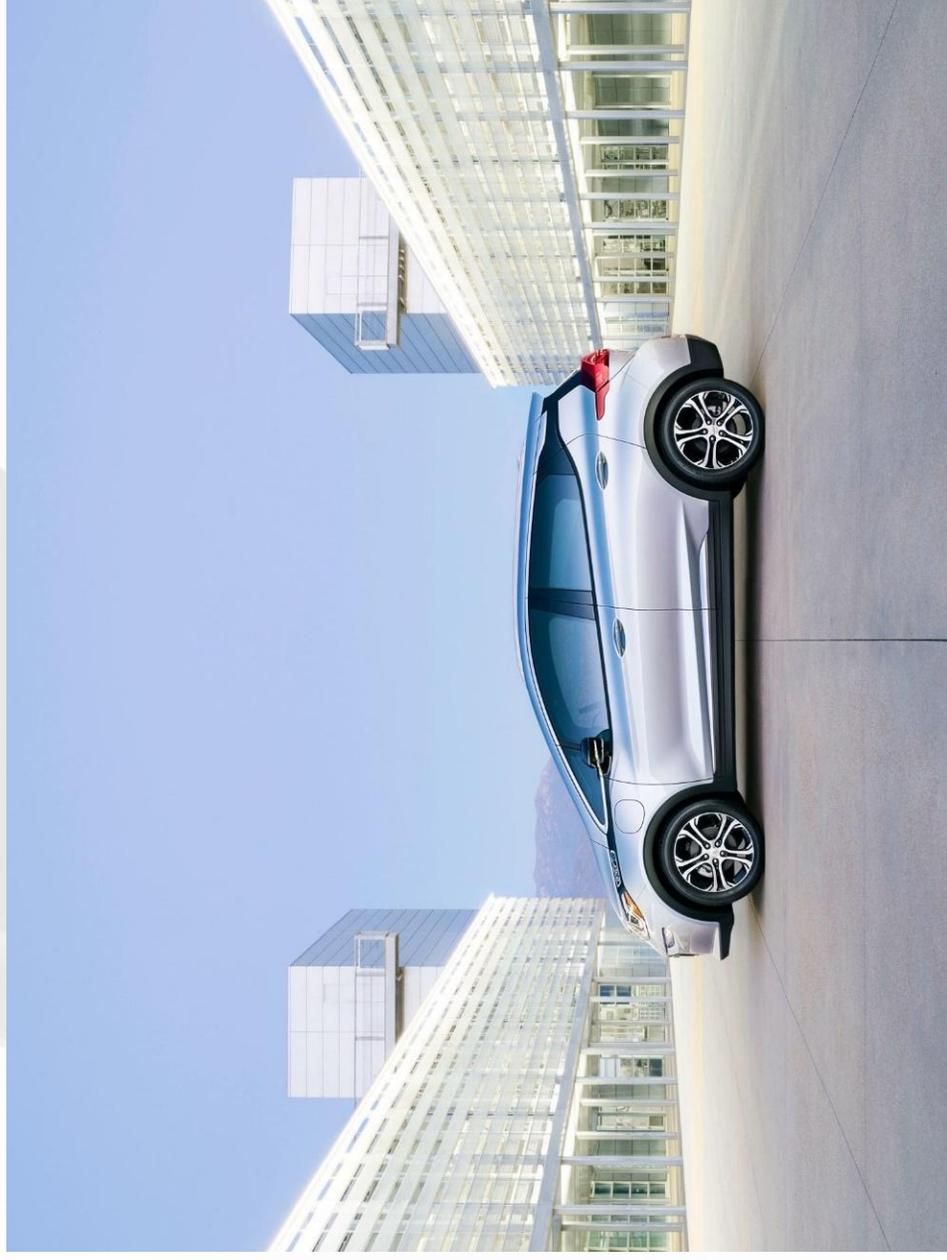
Paying for Transportation in the Long Run

- The current U.S. system relies on fuel taxes
- We have seen a marked decline in revenues
- Two National Commissions have called for short and long-term solutions
- MBUF collection systems have come to the forefront of options to consider



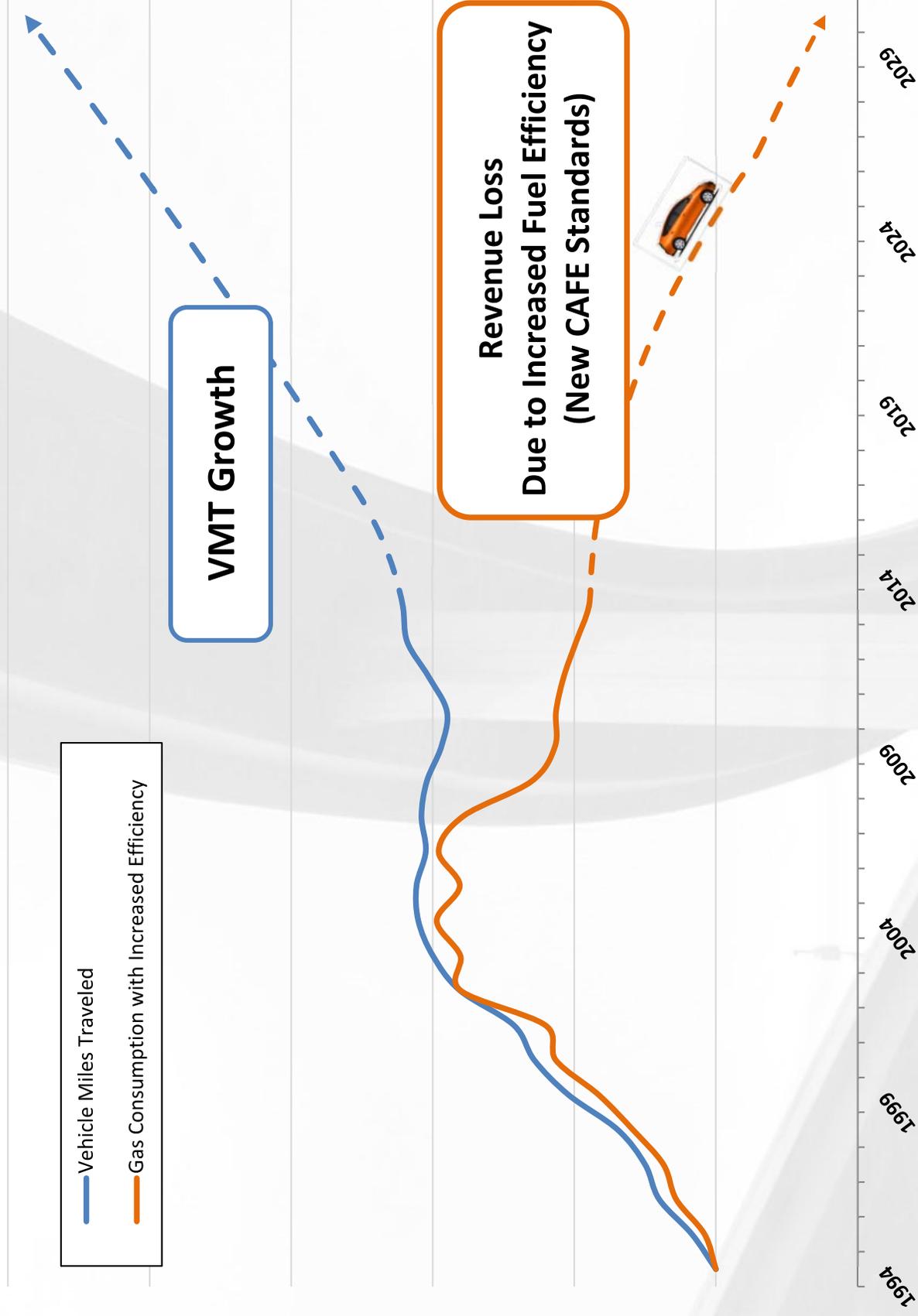
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General Motors Is Going All Electric



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Revenue Loss Due to Increases in Fuel Economy



Source: Caltrans

What is an MBUF/RUC?

- A user fee paid by the mile rather than by the gallon that **REPLACES** the fuel tax
- Elements include:
 - A mechanism to assess charges
 - A method of payment
 - Money goes to transportation fund



Why is vehicle miles of travel-VMT-the preferred basis for new fee?

- Fairness—proportional to extent of use.
- Applies regardless of propulsion source.
- Will grow along with VMT, as economy and population grow.
- Should be indexed for inflation.
- Could be higher for costly highways, lower for local streets & roads (unlike fuel tax).
- Would restore the original users-pay/users-benefit principle on which fuel taxes used to be based.



FAST Act and STSFA Grants

\$95 million Surface Transportation System Funding Alternatives (STSFA) grant program established under the FAST Act

STSFA program purpose:

"to provide grants to States to demonstrate user-based alternative revenue mechanisms that utilize a user fee structure to maintain the long-term solvency of the Highway Trust Fund"

- Program Objectives
- To test the design, acceptance, and implementation of 2 or more future user-based alternative revenue mechanisms.
- To improve the functionality of such user-based alternative revenue mechanisms.
- To conduct outreach to increase public awareness regarding the need for alternative funding sources for surface transportation programs and to provide information on possible approaches.
- To provide recommendations regarding adoption and implementation of user-based alternative revenue mechanisms.
- To minimize the administrative cost of any potential user-based alternative revenue mechanisms.



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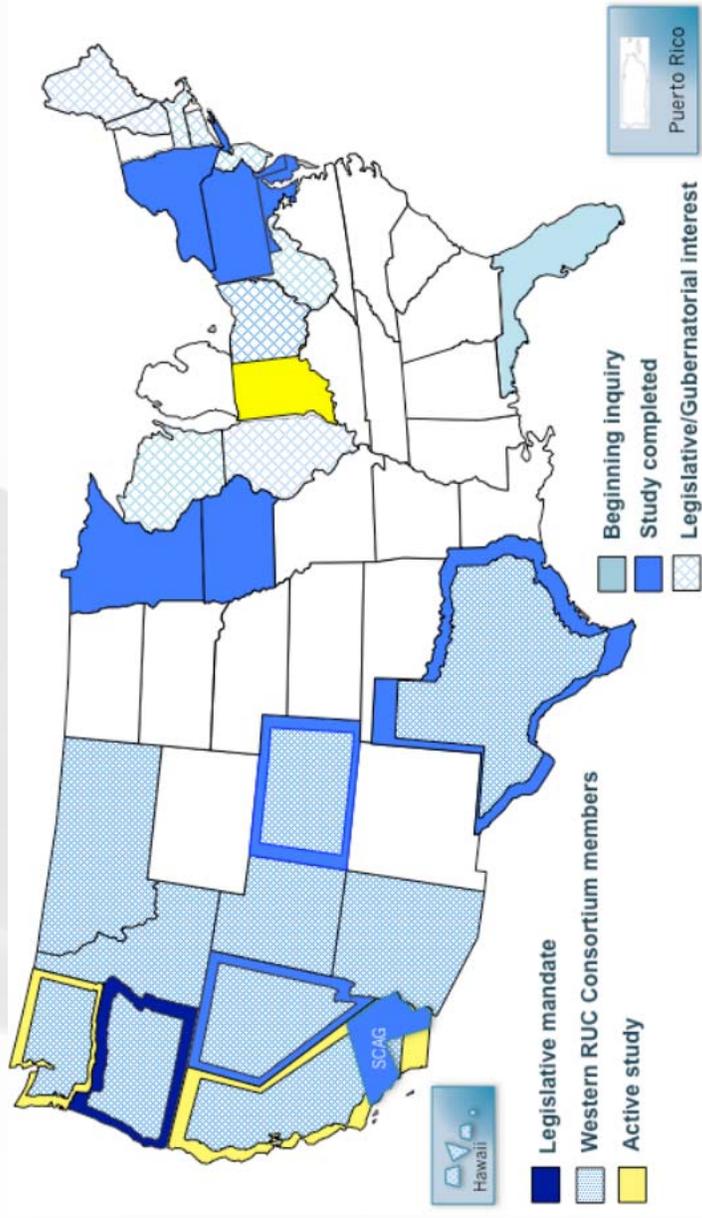
FAST Act Winners

- I-95 Corridor Coalition
- RUC West
- Oregon Department of Transportation
- California Department of Transportation
- Minnesota Department of Transportation
- Missouri Department of Transportation
- Washington Department of Transportation
- Hawaii Department of Transportation
- Colorado Department of Transportation



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Other states and countries have shown Road Charging to be fair and sustainable



Issues An MBUF System Must Address

- Privacy protection
- Evolution of technologies
- Scalability of systems
- Flexibility of systems for policy adaptations
- Complexity of implementation
- Difficulty of operations
- Making compliance simple and easy
- Interoperability among states
- Data security
- Cost of administration
- Equity by income, geography and vehicle type
- Transition



Privacy

- Context of privacy debate has shifted with recent scandals. Trust is a bigger issue.
- Privacy entails both:
 - Protection from government misuse of data
 - Protection against information breaches for malicious intent
- Four approaches to privacy can work in concert
 - Tech that does not transmit data other than that owed.
 - Using a trusted third party to protect and secure private data
 - Tech where user controls privacy settings
 - Privacy legislation that sets rules and accountability



Equity

Rural Drivers

- Pay fuel tax now for road use
- More off-road driving
- Not a large burden

Fuel Efficient Vehicles

- Currently not paying fair share for road
- Already avoid cost of fuel
- Road usage charge not a large burden

Less Affluent Drivers

- Pay fuel tax now
- Tend to drive older, less fuel efficient vehicles

Non-resident Driving

- Until regional system, still pay fuel tax



Collection Costs

- On its face, an MBUF system is more complex and seems likely to be more expensive to collect than current fees and taxes.
- Oregon analysis shows costs fall dramatically as more vehicles in system.
- Recent Reason research shows that:
 - The FULL cost of collecting fuel taxes, including indirect and opportunity costs, is at least 5% of revenue
 - The most efficient AET systems have collection costs of about 5% of revenue.



Likely Success Factors

- Understand contentious issues and address them up front. Build trust.
- Include choices for participants, so they are in control.
- Tackle privacy head on involve privacy advocates.
- Conduct trials and educational outreach. Include elected officials, media, and stakeholders in the trials.
- Start simple and add on layers over time.
- Build a system that is flexible and easy to adapt and add on and can integrate with other systems.
- Involve private sector and use competition



Questions?

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