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**Introduction**

States are increasingly interested in studying, and in one notable case implementing, fees based on actual travel as a transportation funding replacement to the fuel tax. These fees go by many different names: Road User Charges (RUC), Mileage-based User Fees (MBUF) and Vehicle Miles Travelled (VMT) Fees. Regardless of their name, they all share the common trait of being fees that are levied based on distance travelled (mileage). States are evaluating these fees because the long-term sustainability of fuel taxes is uncertain. Fuel taxes are levied on a per-gallon basis and have not been raised in Texas since 1991, meaning that in addition to losing purchasing power over time due to inflation they also return less revenue as vehicles become more fuel efficient. If, in the future, a significant portion of the vehicle fleet is operating on non-taxed fuels, then the situation becomes even worse. VMT Fees address this problem by returning revenue in proportion to travel, regardless of what fuel and how much of that fuel is consumed by a vehicle.

**Current Trends**

VMT fees have been a topic of state interest ever since the Oregon Legislature initiated its Road User Fee Task force in 2001 to evaluate alternatives to the fuel tax. Initial pilots used devices that were custom built for that particular study and relied on the use of Global Positioning System (GPS) technology. These devices had to be installed in participating vehicles by professional technicians. Due to these factors, perceptions of the VMT fee concept tend to be centered on the perceived need to mandate the installation of “black boxes” and “tracking devices” in future implementations. However, more recent pilots have shown that this is not the case.

Pilots in other states have advanced the technology and shown that VMT fee systems can be implemented without mandating GPS “tracking.” These pilots have shown that location data is not required, as VMT fees can be implemented with only mileage being collected through any number of metering options, including low-tech and “no-tech” options. Recent pilots have also shown that flexible and scalable VMT systems preclude the use of one particular technology approach or a proprietary solution.

States pursuing implementation of VMT fees have been cautious to not lock themselves into one approach to road usage assessment. Furthermore, recent pilots have shown that a significant portion of the administrative burden, a potentially significant cost factor for these types of systems, can be borne by the private sector. This is advantageous because drivers have shown a tendency to prefer private sector collection of data, so long as they have choices in

terms of their providers. Private sector entities can assess road usage and collect fees in conjunction with other services such as distance-based insurance and telematics-based services. In a VMT fee system, the public sector would only need enough data in order to undertake auditing and enforcement activities.

In spite of the progress being made on VMT fees, there is a significant amount of policy work to be done and incremental steps in the process. Research has shown that the Texas public will not accept these types of fees unless certain policy-related questions have been thoroughly assessed. The general model followed by other states has been:

1. Determine the acceptability of the concept. This has generally occurred through a legislatively appointed committee or task force.
2. If the concept is deemed acceptable for future exploration, the next step is to determine the policies that would support the system and the goals and objectives that would guide its design.
3. Once a policy framework is established, the state can develop charging scenarios and conduct feasibility assessments. This will allow for the determination of optimal administrative and operational structures.
4. Finally, the state can pilot test its preferred charging scenarios. Based on the success of the pilot(s), the state can then make recommendations on implementation.

### **Activities in Other States**

Some states have already passed or are evaluating legislation on these types of fee systems. California recently passed legislation enabling a Road User Fee Task Force that will evaluate alternatives to the fuel tax and make recommendations to the state assembly. The State of Washington is currently conducting a similar effort and will soon be issuing a business case analysis on VMT fee implementation and recommendations for future pilots. California and Washington are both following a path similar to the one outlined above, which starts with policy work at the legislative level.

The State of Oregon is the leader in the assessment and development of VMT fee systems. Based on the success of two previous pilots, the state has passed legislation and is now implementing a voluntary Road User Charge (RUC) program involving 5,000 drivers. Participation in this program is limited based on the fuel efficiency of the participating vehicle. Program participants will pay the RUC instead of fuel taxes, receiving a credit on their RUC bill for any fuel taxes paid at the fuel pump. Several road usage metering options will be provided, some of which must not rely on GPS data.

The program will utilize private sector entities known as Certified Service Providers (CSP), who will enter into an agreement with ODOT for the reporting of road usage by participating vehicles and/or for administrative services related to the collection of road charges. The state will not be involved in providing road usage assessment devices or collecting data from drivers. Rather, CSPs will transmit information to an ODOT back office using a standardized "mileage

message,” and will otherwise be free to develop their own road usage assessment systems. The mileage message transmitted to ODOT will include:

1. Vehicle identification number.
2. Reporting device identification number.
3. Timestamp for installations and removals of mileage reporting device.
4. Total mileage during reporting period.
5. Fuel consumption during reporting period.
6. Mileage by zone (for advanced plans).

Participants will pay their fees in conjunction with the provision of services rendered by individual CSPs.

### **Privacy Concern**

The number one concern the public has regarding VMT fee systems is privacy, namely due to the perceived need for location data. Oregon’s approach to addressing this issue is to leave the choice of privacy protection and use of location data up to the driver. There will be no mandate on the use of any in-vehicle technology.

Participants will have a choice among CSPs and will have choices from a range of road usage assessment options. Furthermore, Oregon has addressed the use of personally identifiable information (PII) specifically in legislation. Information collected by the system is exempt from Oregon public disclosure requirements, and CSPs must adhere to certain requirements in the potential release of customer PII. ODOT and CSPs must destroy records related to the location and use of vehicles no later than 30 days following the completion of a payment processing, dispute resolution, or non-compliance investigation.

The Oregon program also allows for VMT Fee systems that provide less privacy protection, by way of their reliance on location data, which do offer potentially significant benefits to both drivers and the state. Location data enables the VMT fee system to discount any mileage driven outside of the state or not within public right-of-way (i.e. private roads). Furthermore, location data can provide the state with better tools to directly allocate funding to areas and roads where more travel is occurring. From a local/regional perspective, location data-based VMT systems could allow for the implementation of more refined congestion management strategies such as time-of-day pricing.

It is important to keep in mind that VMT fee systems can do only what supporting policy enables them to do, highlighting the importance of conducting a thorough process of policy development prior to testing. Legislative considerations include the amount levied per mile of travel, and therefore the amount of revenue raised, and the decision to supplement or replace the fuel tax with VMT fee revenues. Furthermore, the targeting of fees to specific vehicle types, such as alternative fuel and electric vehicles, is a legislative policy choice.

**Outlook for Oregon**

Oregon has positioned itself for its successful pilots and upcoming deployment, having thoroughly tested different charging concepts and conducted extensive policy development and public outreach and education activities. However, as it moves toward its July 2015 deployment, there are issues that have yet to be addressed. For example, the private sector market that would collect mileage and facilitate services on behalf of participants is not well established. Oregon is working with private sector partners to develop this market. It is also unknown how Oregon will attract participation from the drivers of highly fuel efficient vehicles, which stand to pay more under the RUC program than the traditional fuel tax.

Oregon is currently working to leverage the back-office capabilities and overall RUC framework it has developed over the years for use by other states. The Western Road User Charging Consortium is a group of state Departments of Transportation dedicated to sharing resources and expertise on these types of fee systems, with a goal to achieve interoperability and economies of scale by broadening the pool of states participating in coordinated VMT fee pilots.