

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: January 29, 2014

Reference No.: 4.9
Information

From: ANDRE BOUTROS
Executive Director

Subject: **TRANSPORTATION FUNDING CONCEPT – MILEAGE-BASED TRANSPORTATION SYSTEM USER FEE PROGRAM**

ISSUE:

At the January 2014 Commission meeting, representatives from Caltrans, the Oregon Department of Transportation and the Southern California Association of Governments will provide their perspectives related to mileage-based transportation system user fee program considerations.

For more than a decade the Commission has raised concerns with respect to the decline and instability of transportation revenues. Recognizing there are no easy solutions, the Commission has urged that the Legislature and the Administration enact funding alternatives to address California's transportation needs considering options that include implementation of a vehicle mileage-based fee system.

In 2009, the California, Oregon, and Washington Transportation Commissions (Western Tri-State Commissions) jointly recommended that Congress consider encouraging states to develop alternative transportation funding approaches to supplement, and perhaps ultimately replace the gas tax. At that time, a recommendation was made to confirm the feasibility of a vehicle miles traveled-based fee system by mandating the federal government fully explore a transition from the gas tax to a funding system tied more directly to road use and impact on the road system. In 2012, the Western Tri-State Commissions asked Congress to embrace the implementation of a multi-state vehicle miles traveled pilot program.

Caltrans recently joined with other Western State Departments of Transportation in consortium to explore in partnership the technical and operational feasibility of a multi-jurisdictional mileage-based usage charge system; investigate public and key decision maker criteria for acceptance; share experiences and lessons learned; develop operational standards and protocols, and other considerations. The State of Oregon is moving forward to implement a voluntary road usage charge program by 2015. California's Metropolitan Planning Organizations and Regional Transportation Planning Agencies striving to implement regional transportation plans and sustainable communities strategies are seeking long term sustainable and reliable funding solutions to address declining excise tax revenues.

BACKGROUND:

Existing revenue streams dedicated to funding transportation system needs have not kept pace with the cost to operate, maintain, rehabilitate and expand the national and state transportation network. Traditional mechanisms for funding the transportation network are based on archaic taxes tied to diminishing fuel usage. This funding is unsustainable given growing population, inflation, the proliferation of fuel efficient and alternative fueled vehicles, among other factors.

Vehicle miles traveled refers to the number of miles vehicles travel over a given time period. Vehicle miles traveled is routinely used to measure traffic and to calculate traffic statistics. Since excise tax revenue is based on consumption, and consumption is expected to continue to decline as vehicles become more fuel-efficient and consumers turn to alternative fueled vehicles, a mileage-based transportation system user fee based on miles traveled could be a more reliable option for funding transportation system improvements instead of the current method of using excise taxes. Revenue generated by such a user fee could be used to fund system preservation, system management and system expansion. To implement a mileage-based transportation system user fee program, federal and/or state legislation would be required.

Western Road Usage Charge Consortium

The Western Road Usage Charge Consortium is a voluntary coalition of State Departments of Transportation and specified others committed to collaborative research and development of a potential new transportation funding method that would collect a road usage charge from drivers based on actual road usage/vehicle miles traveled. Initial membership consists of states that (1) are members of the Western Association of State Highway and Transportation Organizations (WASHTO); (2) commit to joint funding; and (3) adopt the Western Road Usage Charge Consortium Charter. Transportation Departments from California, Washington, Oregon, and Nevada are members of the Western Road Usage Charge Consortium.

Oregon Department of Transportation (ODOT) – Road Usage Charge Program

In 2001, the Oregon State Legislature authorized the creation of a Road User Fee Task Force to examine various revenue raising alternatives. In 2007, at the direction of the Task Force, ODOT tested a road user fee, or "per mile charge," in a pilot project in Portland. In 2012, ODOT conducted a refined version of the pilot, based on lessons learned and focused on vehicles rating 55 miles per gallon or more. This second pilot, called the Road Usage Charge Pilot Project, concluded in January 2013.

In 2013, the Oregon State Legislature passed Senate Bill 810 authorizing ODOT to establish a permanently operational road usage charge program with 5,000 volunteers. Specifically, this legislation created a program whereby a registered owner or lessee of a motor vehicle may pay a per mile road usage charge. The program will permit the person paying a per-mile usage charge to apply for a refund of motor vehicle fuel tax as well as for miles driven on private property. The legislation directs ODOT to establish methods for reporting vehicle miles traveled and to meet other requirements so it is operative on July 1, 2015. Additional information is provided as Attachment I.

Metropolitan Planning Organizations/Regional Transportation Planning Agencies

MPOs and RTPAs require sufficient and sustainable revenues to implement adopted regional transportation plans. Recently adopted regional transportation plans provide recommendations for financial resources to meet transportation system needs over the planning period. For example, the Regional Transportation Plan adopted by the Southern California Association of Governments states:

“Investing in our region’s transportation system is critical to our economic prosperity. To compete nationally and internationally, Southern California needs a 21st century transportation system that improves mobility for both businesses and people. Without long-term strategic transportation investments and the revenue sources necessary to build and maintain those investments, our region will be at a competitive disadvantage for future generations. Since the 1980s, Southern California voters have approved county sales tax measures to backfill declining transportation funds, but substantial investment needs remain.”

“To bolster available funding, the 2012 RTP recommends user-based strategies that reflect the true cost of transportation.

- *Additional \$0.15 per gallon adjustment to state and federal gas taxes to maintain historical purchasing power (starting 2017) and long-term transition to mileage-based user fees (\$0.05 per mile to replace gas taxes starting 2025)*
- *Construction of new toll supported highways*
- *Leverage existing resources to maximize cash flow and take advantage of currently low borrowing and construction costs*
- *Expand partnerships with private sector entities to deliver transportation investments sooner and cost efficiently”*

Attachments

- I. Oregon Department of Transportation Road Usage Charge Program Overview
- II. Southern California Association of Governments’ Regional Transportation Plan 2012-2035 Funding Strategies Fact Sheet

Program Overview

November 2013

What is the Road Usage Charge Program?

The Road Usage Charge Program, or RUCP, as mandated by the passage of Senate Bill 810, authorizes the Oregon Department of Transportation to assess a per-mile charge for drivers of up to 5,000 cars and light commercial vehicles participating in the program. A gas tax refund (where applicable) is issued to participants. The bill calls for the system to be operational by July 1, 2015.

After two successful pilot demonstrations in 2007 and 2012, the RUCP is now law and a permanent program in Oregon. The program:

- Allows Oregon volunteers who are owners and lessees of certain vehicles to pay a road usage charge in lieu of the gas tax
- Sets that road usage charge at 1.5 cents per mile
- Requires a refund of gas tax paid
- Establishes restrictions and criteria for safeguarding of personally identifiable information

Why is Oregon implementing the RUCP?

Highly fuel-efficient vehicles are taking to the road in increasing numbers, in Oregon and across the country. This is important for protecting the environment and reducing our nation's dependence on fossil fuels, but it also reduces funding available for road maintenance.

Historically, states (and the federal government) derived money to pay for upkeep of roads in large part through a tax on fuel. If vehicles using the road don't visit the pump (for example, because they are all-electric), or they very rarely need to because they get high miles per gallon of fuel, then the owners of those cars are, unfortunately, not paying their portion of upkeep for the roads they use. The RUCP establishes a funding model of direct payment for roads used, based on miles traveled.

Who does the RUC impact?

ODOT approved volunteers will pay the road usage charge when the system is operational. Total participants is not to exceed 5,000. No more than 1,500 may have a vehicle rating greater than 17 mpg, and no more than 1,500 may have a vehicle rating of at least 17 mpg and less than 22 mpg.

Key design requirements (by law)

ODOT must take into account the following when designing the program:

- Accuracy
- Privacy options
- Security
- Resistance to tampering
- Transparency regarding the transfer of RUC revenues

ODOT must provide the opportunity to select a method of mileage collecting and reporting from among multiple options. At least one of those methods of collecting and reporting miles traveled must not use vehicle location technology.

ODOT must adopt standards for an "open system" for technologies so the program is flexible and can grow and change with the technology market.

—more—



Road Usage Charge Program (RUCP)

Any ODOT procurement of equipment and services for RUC must be procured under the Public-Private Partnership (P3) authority.

Privacy protection

The legislation declares the confidentiality of personally identifiable information and also:

- Prohibits disclosure of personally identifiable information except to the registered owner or lessee, entities responsible for services pertaining to collection of the road usage charge, and entities approved by the registered owner or lessee.
- Provides that location and daily metered use information must be destroyed within 30 days after payment processing, dispute resolution or noncompliance investigation. Exceptions: (1) when an owner or lessee consents; (2) aggregated data used for traffic management and research; (3) monthly summaries of metered use.
- Requires ODOT to provide for penalties for entities violating this section.
- Does not impose data restrictions where expressly approved by the volunteer.

How it works

1. The program accepts applications for volunteer taxpayers to participate. Once approved and enrolled in the program, the taxpayer chooses a method of reporting and sets up the vehicle for reporting miles, per the agreement.
2. The taxpayer reports metered use, receives an invoice, and pays the road usage charge.
3. The taxpayer receives a refund of the gas tax paid.

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REGIONAL TRANSPORTATION PLAN
2012-2035 RTP
 SUSTAINABLE COMMUNITIES STRATEGY
 Towards a Sustainable Future



SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS

www.scag.ca.gov/rtp2012

Funding Strategies

Investing in our region's transportation system is critical to our economic prosperity. To compete nationally and internationally, Southern California needs a 21st century transportation system that improves mobility for both businesses and people. Without long-term strategic transportation investments and the revenue sources necessary to build and maintain those investments, our region will be at a competitive disadvantage for future generations.

WHAT ARE OUR FUNDING CHALLENGES?

Both state and federal gas taxes, the traditional means of funding transportation, have not increased since the 1990s

+

Vehicles are becoming more fuel efficient and will travel farther on less gasoline as technology advances to meet federal and state mandates

+

Gas taxes today are charged on a per gallon basis and do not fluctuate with the overall price at the pump

+

Costs for building/maintaining transportation infrastructure have continued to grow every year

≡ Gas tax revenue has declined to represent less than 1/3rd of our transportation funding, resulting in underinvestment while demand continues to grow

HOW DO WE ADDRESS OUR FUNDING CHALLENGES?

Since the 1980s, Southern California voters have approved county sales tax measures to backfill declining transportation funds, but substantial investment needs remain. To bolster available funding, the 2012 RTP recommends user-based strategies that reflect the true cost of transportation.

- ▶ Additional \$0.15 per gallon adjustment to state and federal gas taxes to maintain historical purchasing power (starting 2017) and long-term transition to mileage-based user fees (\$0.05 per mile to replace gas taxes starting 2025)
- ▶ Construction of new toll supported highways
- ▶ Leverage existing resources to maximize cash flow and take advantage of currently low borrowing and construction costs
- ▶ Expand partnerships with private sector entities to deliver transportation investments sooner and cost efficiently

QUICK FIGURES

FIGURE 1
 2012 RTP Revenue Summary \$524.7 Billion
 (in Nominal Dollars) FY2011-FY2035

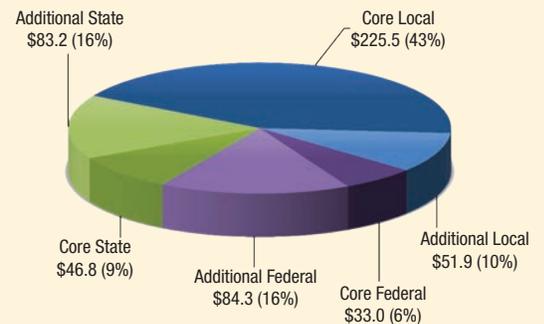
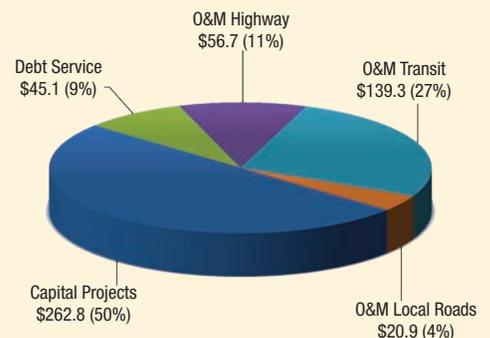


FIGURE 2
 2012 RTP Expenditure Summary \$524.7 Billion
 (in Nominal Dollars) FY2011-FY2035



An investment of less than \$2 dollars per day per capita will achieve the region's mobility and air quality objectives.



Oregon Road Usage Charge Program

California Transportation Commission
January 29, 2014



Oregon's Second Pilot (2012-2013) Road Use Charge Pilot Program

Open System with taxpayer choices for mileage reporting

44 volunteer participants from Oregon

- 8 state legislators
- Others with policy interest

Paid road usage charge of 1.5 cents per mile and received fuel tax credit

Private sector firms provided

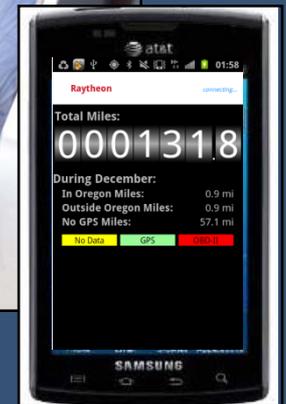
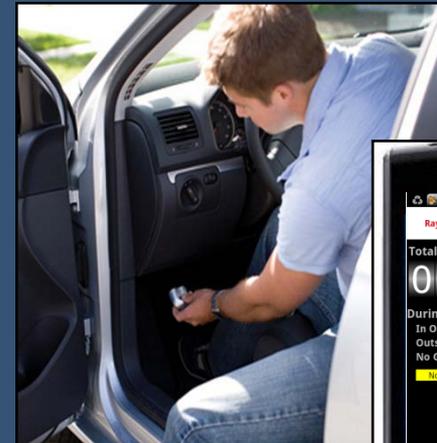
- Mileage reporting technologies
- Tax processing and account management

Washington DOT and Nevada DOT managed 44 additional participants

Choosing your plan
To determine your vehicle type, you must enroll in a charging plan. Your charging plan will include a road usage charge service provider (either ODOT or a private provider). Select a road use method to report the miles you drive (click on the plan title in the table below).

Need help? Click to view ODOT's Road Use Charge Pilot Program FAQ.

Plan Options	Miles Reported	Vehicle	Payment	Online account management	Uses GPS?
ODOT Basic Plan	All	Motor Vehicle	Check	No	No, ODOT will report software miles on driver's license
ODOT Fuel Based Plan	N/A	Check, off-highway	Check	No	No, ODOT will report software miles on driver's license
Smart Basic Plan	All	Enrolled Motorist			No, ODOT will report software miles on driver's license
Smart Addressed Plan	Public roads in Oregon only	Enrolled Motorist			No, ODOT will report software miles on driver's license
Smart Smartphone Plan	With application running, only roads in Oregon; without application running, all roads	Enrolled Motorist			No, ODOT will report software miles on driver's license





Senate Bill 810

Oregon Per-Mile Road Use Charge Law

Implement permanently operational RUC program

- 1.5 cents per mile
- Rebate of fuel tax paid
- Mileage reporting *choices*
- Vehicle location technology not required
- Open system
- Private sector administration option
- Penalties for false statements, non-payment and tampering
- Protection of personally identifiable information



First application: 5,000 voluntary taxpayers

Start date: July 1, 2015



Oregon Road Usage Charge Summit

November 13-15, 2013

- Seminar for 15 state DOTs
- Workshop for 38 vendors
- Policy and technical tracks
- Oregon legislative panel
- Two days of one-on-one meetings with vendors





Oregon's Platform for Per-mile Charge

Machine to machine communications via standard mileage message

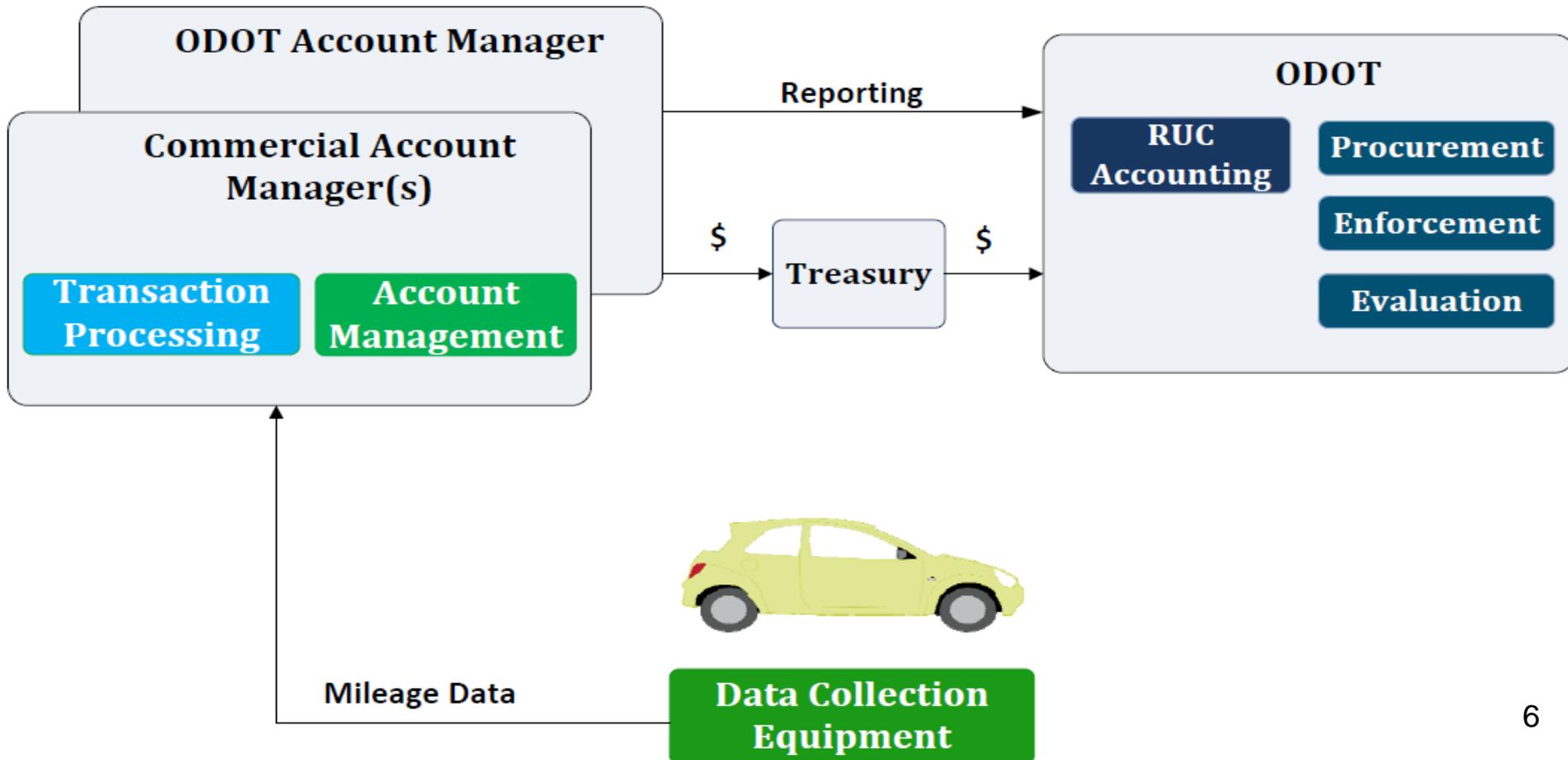
DOT certifies private sector entities under an open system for:

- Mileage reporting technologies
- Tax processing
- Account management

Scalable, flexible and geographically unlimited



Oregon Road Usage Charging Open System Concept





Mileage message decoded

Vehicle identification number

Reporting device identification number

Timestamp for installations and removals

Total mileage during reporting period

Fuel consumption during reporting period

For advanced plans, mileage by zone





What's Occurring Now in Oregon

Establishing

- Mileage reporting methods
- Administrative practices
- Business rules
- Standards for reporting and accounting
- Certification processes

Communications

- Marketing plan for voluntary taxpayers
- Develop geographically relevant messages supporting RUC policy



What's Next in Oregon

Two procurements (April/May 2014)

- #1: RFP for government system
- #2: RFQ for commercial market opportunity

Contracting (February 2015)

- Through private sector account managers

Certification of vendor services (ongoing)

- Reporting technologies
- Tax processing and account management



What Voluntary Taxpayers Will See

1st Marketing materials

2nd RUC Website explaining system

3rd *Choose Your Plan* matrix

4th MRD activation instructions

5th Invoice with payment instructions

Always available: Help Desk



Expected Categories of Mileage Reporting Plans

- Report all miles driven (*Basic*)
- Report miles by location (*Advanced*)
- Report miles by preference (*Switchable*)



Choosing Mileage Reporting Plan

Choosing your plan

To activate your account, you must choose a charging plan. Your charging plan will include a road usage charge service provider – either ODOT or a private provider, Sanef – and a method to report the miles you drive (click on the plan title in the table below).

Need help? Call toll-free 855-797-1265 or RUCPP@odot.state.or.us

Plan Options

	Miles Reported	Invoice	Payment	Online account management	Uses GPS?
ODOT Basic Plan	All	Mailed Monthly	Check	No	No, does not report where miles are driven
ODOT Flat Rate Plan	N/A	Once, at start	Check	No	No device
Sanef Basic Plan	All	Emailed Monthly	credit/debit card	Yes	No, does not report where miles are driven
Sanef Advanced Plan	Public roads in Oregon only	Emailed Monthly	Credit/debit card	Yes	Yes
Sanef Smartphone Plan	With application running, only roads in Oregon; without application running, all roads	Emailed Monthly	Credit/debit card	Yes	Yes, when the application is running

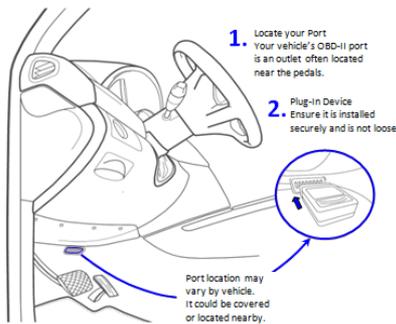


Mileage Reporting Device Activation

1. Activate device built into vehicle, *or*



HOW TO INSTALL THE MILEAGE REPORTING DEVICE



If your OBU becomes disconnected for any reason, simply re-



2. Install device into vehicle



Invoicing and Payment

Invoice

- Receive by mail, email or automatic account access
- Summarized totals

Options for payment

- Cash
- Check
- Credit
- Debit
- Electronic Funds Transfer

From: Sanef S.A. 30, Boulevard Gallieni 92 130 Issy les Moulineaux France	On behalf of: Oregon Department of Transportation 3700 SE 92 nd Ave Portland Oregon 97216		
To: A Customer 123 Main Street Portland Oregon 97201	Invoice No: SI1012-1234 Invoice Month: October 2012 Issue Date: Nov 5 2012		
Item Description	Amount	Rate (\$)	Subtotal
VRM: YG59RZW Vehicle: BMW Mini Clubman D VIN No: MWWWN52080TW95921 OBU No: 0507011044000022 Plan: BASIC			
Mileage Tax	1123 miles	\$0.0156	17.52
Fuel Tax Refund	15.51 gals	\$0.30	-4.65
Subtotal for Mini Clubman YG59RZW			12.87
VRM: SL58RZJ Vehicle: Volvo V70 SE LUX D5 VIN No: YV1BW714191088570 OBU No: 0507011218500921 Plan: ADVANCED / SMARTPHONE			
Mileage Tax			
Total Mileage	1485 miles		
\$(HOMESTATE) Taxable Miles	845 miles	\$0.0156	13.18
Fuel Tax Refund	28.17 gals	\$0.30	-8.45
Subtotal for Volvo V70 SL58RZJ			4.73
TOTAL Mileage Tax Due			
Total Mileage Tax Due / You are owed a credit of			\$17.60
Payment Date			Dec 05 12
To pay your Mileage Tax, please visit https://odot.sanefolling.co.uk and follow the on-screen instructions.			



Recommendations to State of California

Access Oregon Platform for a RUC Pilot Program

- Use Oregon's standard mileage message
- Access vendors hired by Oregon DOT
- Access back end capabilities of Oregon consulting team
- Advantages:
 - 1) Save time
 - 2) Save money
 - 3) Design program elements acceptable in California



Following Slides Reserved for Q&A



Privacy Solutions

Choices of reporting method and provider

- Basic reporting from odometer
- Advanced reporting using vehicle location
- Manual reporting option for mileage driven off Oregon public roads

Select mileage reporting device from marketplace

Legal mandate to personally identifiable information



SB 810, Section 9

Protect Personally Identifiable Information

Constraints on use of PII

- Limits access
- Imposes obligation to protect
- Exception for express approval

Data destruction within 30 days after later of

- Payment processing
- Dispute resolution
- Noncompliance investigation

Exceptions to data destruction requirement

- Consent
- Monthly summaries
- Aggregation after PII removed



Sections 29 and 30 of SB 810

Western Road Usage Charge Consortium



- WASHTO states eligible
- Research multi-jurisdictional RUC issues
- Research RUC issues of common interest
- Multiple state pilots
- Assess regional system

