

## *Transportation Funding News*

### **Oregon Legislative Committee Advances VMT Tax Bill for Electric Vehicles**

By James M. Whitty, MBUFA

An Oregon legislative committee advanced a bill on April 4 to apply a vehicle road usage charge to operators of the emerging electric vehicle fleet. The House Committee on Transportation and Economic

Development passed HB 2328 out of committee-six in favor and two opposed-on an evenly split bipartisan positive vote. The bill now heads to the House Committee on Revenue.

The state's Road User Fee Task Force developed HB 2328 last autumn with the assistance of the Oregon Department of Transportation. Oregon's Governor, Senate President and House Speaker reconstituted the nearly ten year old body to address a new hole in the highway fund owing to the recent entry into the marketplace of plug-in electric and hybrid vehicles that pay either no fuel tax or very little. The task force decided applying a distance based charge to this new fleet would be consistent with Oregon's 92 year-old policy of "users pay for the roads." Oregon was the first state to adopt the gas tax in 1919.

The transportation committee adopted amendments to HB 2328 to apply a tax rate of 1.43 cents per mile. This rate is comparable to what an average motor vehicle pays in Oregon gas taxes. The amendments also allowed the Oregon DOT to apply the new tax program to up to 5,000 non-electric volunteer motorists operating vehicles of 10,000 pounds or less.

HB 2328 as amended does not apply a particular data generation and payment collection system. Rather, the bill requires ODOT develop methods for these functions under an open system that could allow motorists many options for data generation and payment collection. The bill defines the term *open system* as "an integrated system based on common standards and an operating system accessible to the marketplace whereby components performing the same function can be readily substituted or provided by multiple providers." The bill also specifically allows the creation of public private partnerships to accomplish the data generation and payment collection functions under standards established by Oregon DOT.

The task force may have solved the privacy concerns that emerged from Oregon's original Road User Fee Pilot Program by eliminating the mandate for a GPS receiver to be placed in vehicles. Rather, HB 2328 requires development of more than one method of collecting and reporting the number of miles traveled and at least one method must not involve vehicle location technology. The bill requires that a vehicle subject to the charge, however, must be capable of electronically reporting an odometer reading. Oregon DOT could allow motorists who want to differentiate their mileage by geographic location to use their own GPS receivers certified by ODOT for that purpose.

If passed by both houses and signed by the Governor, the new road usage tax would become effective January 1, 2014 for 2014 model years and beyond.

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## VMT Revenue Collection System Facts

Over the past five years creditable research institutions have sounded the alarm on our dramatic underinvestment in infrastructure. In fact the National Transportation Policy and Revenue Study Commission advised that we are only investing about 40 percent of what is necessary for surface transportation infrastructure at all levels of government.

Congress and the Administration must look for ways to improve how to pay for road use because the current system, based primarily on the federal excise tax on gasoline and diesel fuel as documented by the National Transportation Policy and Revenue Study Commission and others, is becoming obsolete due to reduced gasoline consumption and more fuel efficient vehicles.

### **How is transportation infrastructure paid for in the United States?**

Transportation infrastructure (interstate highways, roads and bridges) in the United States is financed primarily by user fees, specifically at the Federal level by the 18.3 cents/gallon excise tax on gasoline and the 24 cent tax on diesel fuel.

### **Why change from gas tax?**

Over time, given the increases in fuel efficiency and the introduction of hybrid and electric vehicles, the revenue generated will decline. In fact, it already has. Since 2008, gas tax expenditures have exceeded receipts requiring a transfer of \$34.5 billion from the general fund to the Highway Trust Fund to pay the bills. With increasing gas prices and greater use of energy efficient and alternative fuel vehicles, and the need to maintain at least the current levels of expenditure, the Highway account of the Highway Trust Fund will be insolvent by the summer of 2012 according to the Congressional Budget Office (CBO).

### **Why Look At VMT?**

The February 2009 report of the *National Surface Transportation Infrastructure Financing Commission* recommended: "that Congress embark immediately on an aggressive research, development, and demonstration (RD&D) program" in order to evaluate the viability of a VMT as an alternative user fee collection system to the gas tax.

### **We will be taxed twice**

The VMT would be an alternative to the gas tax, **not an add on**.

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## **Why is the government forcing this new system on drivers?**

Following the recommendations of the Commission and because there are many questions to be answered about operations, fairness, and privacy, the Mileage-Based User Fee Alliance has

proposed the authorization of a series of trial studies. Participation in the trials would be voluntary.

## **I don't want the government to track where I drive**

Privacy has to be guaranteed. That's why trials are needed to evaluate different technologies and to develop privacy protocols. Many methods for mileage metering will be tested including some that do not use GPS vehicle location technology. Multiple technologies exist to measure miles driven without transmitting locational data.

## **Rural drivers would pay more because they drive longer distances**

Any alternative user charge system has to be fair for all drivers. One goal for the trials would be to determine how to calibrate the VMT so that it would be fair to both rural and urban drivers. Rural drivers drive longer distances but often in less fuel efficient vehicles. Urban drivers drive shorter distances but spend more time in traffic. Both already pay gas taxes on fuel consumed. The VMT would replace the fee paid for gas taxes with a fee for road use.

## **Will the government develop the technology and run the trials?**

The private sector and the academic community would be involved in the data collection, technology development and trial assessment. The federal government would set the parameters for what needs to be studied and include technology requirements like interoperability and standards.

## **Drivers of fuel efficient vehicles would be punished by adoption of the VMT**

Our current transportation system is designed to charge road users for the cost of building and maintaining roads and bridges. It is not designed to encourage or discourage fuel efficiency. Electric vehicles receive the same benefit from roads and bridges as conventionally fueled vehicles, but they do not pay to maintain the system. To be fair, they should also contribute to the cost of use. Pilot studies can, however, look at impact on the roads being used caused by different size and weighted vehicles and calibrate fees accordingly.

## **Why act now?**

While a lot of work has been done to set the basics of research in place, much more is required in the form of pilots before a final decision could be made to introduce these new systems. So as

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the national commissions recognized, we need to begin now if we are to be able to adopt these systems in the long-term future. For this reason, it is imperative that Congress, as part of the transportation reauthorization bill, authorize a series of trials to study various VMT technologies among voluntary participants.

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