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# **Final Report of the Mileage Based User Fee Pooled Fund Project**

## TPF-5(289) “Mileage Based User Fee” (MBUF)

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### Participating States:

* Minnesota Department of Transportation, Lead State represented by Ken Buckeye, Program Manager, Office of Financial Management
* Washington State Department of Transportation, represented by Anthony Buckley, Director, Innovative Partnerships
* Nevada Department of Transportation, represented by Peter A. Aiyuk, Chief Performance Analysis Engineer

### Background/Study Description

The interest in mileage based user fees stems from a growing realization that in the future the motor fuel tax may no longer generate enough revenue to build and repair roads. Continued development and adoption of highly efficient fossil fuel vehicles and other alternative fueled vehicles, particularly electric vehicles, results in the collection of substantially less motor fuel tax revenue on a per vehicle mile of travel basis. Some states have already begun to experience declining revenue despite stable or increasing vehicle miles of travel. Research and demonstrations have been conducted for nearly 20 years that have explored the notion of replacing/supplementing the motor fuel tax with a tax on the miles driven instead of the amount of gas consumed. This pooled fund project was created to support those states jointly interested in advancing mileage-based user fees (MBUF) through the sharing of experience and knowledge building via research and demonstrations.

Mileage-based fees, while enormously challenging due to a host of policy and technical issue, continue to be one of the most important alternatives that states are considering as an alternative to the existing motor fuel tax. Mileage-based fees have shown potential and may ultimately provide a solution to the future revenue issues that departments of transportation are facing. MBUF solutions may provide:

* A sustainable funding mechanism for surface transportation
* A user fee that is tied directly to miles driven, not fuel consumed
* A flexible tool to alleviate congestion and promote economic development, environmental sustainability, equity and quality of life.

### Project Objectives

The objectives of this pooled fund project were to learn and to continue coordination efforts among states with respect to the MBUF concept. Participation also enabled membership in the national Mileage-Based User Fee Alliance, a 501 (c) 3 organization dedicated to researching and educating stakeholders on the MBUF concept. The MBUF Pooled fund membership enabled:

* Creation of a learning environment and policy space for collaboration and networking among individuals and groups interested in mileage-based fees
* Coordination of efforts to build awareness of mileage-based user fee programs around the U.S.
* Promotion for research and testing of MBUF concepts under state and federal authorizations.

### Scope of Work

The work performed under this MBUF Pooled fund project included efforts to:

* Track and conduct mileage-based user fee initiatives in the U.S. and around the world
* Organize and facilitate workshops attended by the national Mileage-Bases User Fee Alliance member states to share knowledge and best practices related to mileage-based fees
* Organize and facilitate the annual MBUF conference or symposium to provide a continuing education and peer exchange opportunity for member states
* Organize and facilitate peer exchanges and education and outreach activities regarding mileage-based fees
* Provide support to member states to enable opportunities for participation in state conferences, offering expert advice, and travel to events.

### Challenges and Opportunities

Many political leaders see the shortcoming of the motor fuel tax as a threat to its long-term viability. As time moves on, and as electric vehicles and improved mileage vehicles continue to penetrate (and perhaps ultimately dominate) the market, mileage-based fees appear to be one of the few alternatives funding transportation that align with our long-standing reliance in transportation on the user-pays principle.

The nation has already learned a lot from the handful of mileage-based user fee pilots that we have done around the country, but much remains to be done. This pooled fund project continued to monitor those results and congressional actions that have helped move us closer to mileage-based fees. Under the FAST Act, Section 6020, Surface Transportation System Funding Alternatives, funds were made available for mileage-based user fee demonstrations.  The pooled fund project allowed us to consider approaches to help expedite state pilots, test efficiencies, new concepts, new technologies and new business models.

Winning broad public and political support for MBUF is still a significant hurdle around the country.  Research and market analysis and providing trusted information which we jointly acquired and shared has helped to advance the support of MBUF among the public.  In the end demonstrations that have ensued from the FAST Act opportunity and through this pooled fund collaboration must pass the reasonableness tests such as providing rational driver incentives, being trusted, offering privacy protection, and being an enforceable policy.  A major challenge to winning public support continues to be explaining the “value proposition” and communicating it effectively.  The combined and shared experience enabled through the MBUF Pooled Fund has positioned the partnering states to advance ideas that will be integral to future demonstrations and deployments.

## Accomplishments

### Minnesota

Minnesota successfully submitted a proposal to develop a distance based fee pilot under Section 6020 of the FAST Act, Surface Transportation System Funding Alternatives (STSFA) Program, and received authorization in early 2018. Minnesota’s project involves developing a partnership with car sharing services utilizing on-board technology to collect distance based fees.  The goal of the demonstration plan is to prove that on-board embedded technology on Shared Mobility vehicles can be used to efficiently and effectively collect distance based fees. The technology on-board car sharing vehicles allows users to find and reserve vehicles, record travel, and pay per use.  Concerns over tracking miles are overcome, because that is part of the core business model for which users subscribe.  Use of the shared mobility model is uniquely suited to the application of distance based fees and allows personal preferences and technological capacity to drive the change.  The proposal envisions applying the distance based fees to existing fleets of car sharing services and using the on-board technology to record and aggregate trip data.

Under Phase I of this demonstration MnDOT and the consultant team negotiated an agreement with ride-sharing services in the Twin Cities. Additionally, under this approach, an automated vehicle model was tested and a proof of concept completed showing great promise for a full scale demonstration.  Over time, it is assumed that alternative fueled and electric vehicles may be converted to distance-based fees if equipped with appropriate technology, or they may continue to pay the ad-valorem tax, or the equivalent, to account for their road use as some do today.

Minnesota requested $300,000 of federal funds that was matched by $300,000 in state funds for pre-deployment project planning. The Phase I portion of the project was completed in December of 2019 and the demonstration is scheduled to launch in April 2020.

The Minnesota STSFA application was submitted by the Minnesota Department of Transportation in May of 2016 and is included in Attachment 1.

### Washington State

Washington State successfully submitted proposals to develop distance based fee pilots under Section 6020 of the FAST Act, STSFA Program. The Washington State pilot tested and evaluated critical elements of interoperability, and multi-jurisdictional alternative user-based revenue collection systems. In the course of the pilot, Washington: (1) gathered critical feedback from drivers on which methods and policies for assessing user fees are preferred, and (2) collaborated with relevant agencies within and beyond Washington to test and build the organizational and operational capabilities necessary to implement a RUC system capable of scaling to and interacting with multiple jurisdictions. This includes expanding to incorporate additional user-fee concepts, such as single-payee systems for a wide range of transportation services. The Washington pilot was comprised of three mileage-based methods and one time-based method of road usage reporting. Deployment of the testing methods will allow for further assessment of public acceptance and sufficiency of privacy protections as well as providing an environment in which to innovate and advance the state of a RUC system.

Washington requested $7,497,000 of federal funds which will be matched by $11,800,000 in state funds and resources (included Toll Credits). The project time line was approximately 29 months. In response to its application, Washington State was awarded $3,847,000 of grant funds under Section 6020 of the FAST Act. It was also announced on October 6th, 2017 that Washington State was also a recipient of the second round of Section 6020 funding. Under this project Washington State will conduct public outreach with users regarding methods for assessing and collecting fees. The project was funded with $4,600,000 from the program.

 The Washington State STSFA application was submitted by Washington State Department of Transportation and Washington State Transportation Commission and is included in Attachment 2.

### Nevada

Nevada continues to monitor the progress and developments that are evolving from distance based user fee proposals but did not submit a proposal under Section 6020 of FAST Act.

## TPF-5(289) Mileage Based User Fee Pooled Fund Financial Summary

The following tables summarize the income and expenditures for the three year pooled fund project.

### Income 2014-2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Income**: | **2014** | **2016** | **2017** | **Total** |
| **MN** | 20,000.0020,000.00 | 0.000.00 | 0.000.00 | 20,000.0020,000.00 |
| **NV** | 0.000.00 | 5,000.005,000.00 | 15,000.0015,000.00 | 20,000.0020,000.00 |
| **WA** | 20,000.0020,000.00 | 0.000.00 | 0.000.00 | 20,000.0020,000.00 |
| **Total Committed Total Received** | 40,000.0040,000.00 | 5,000.005,000.00 | 15,000.0015,000.00 | 60,000.0060,000.00 |

### Expenditures 2014-2017

|  |
| --- |
| **Expenditures: Encumbrances Actual Paid** |
| 2013-2014 Dues for Washington DOT | 5,000.00 | 5,000.00 |  |
| Jeff Doyle to Mtg in DC | 366.46 | 366.46 |  |
| MBUFA Membership Dues-MN 2014-2015 | 5,000.00 | 5,000.00 |  |
| Mileage Based User Fee (MBUF) | 5,000.00 | 5,000.00 |  |
| Nevada DOT 2015-2016 Dues-Mileage Based User Fee (MBUF) | 5,000.00 | 5,000.00 |  |
| Airfare (from SWIFT) | 801.20 | 801.20 |  |
| 2015-2016 Washington DOT Dues Mileage Based User Fee (MBUF) | 5,000.00 | 5,000.00 |  |
| Mileage Based User Fee (MBUF) MNDOT DUES | 5,000.00 | 5,000.00 |  |
| Nevada Membership Dues to the Mileage-Based User Fee Alliance for 2016 | 5,000.00 | 5,000.00 |  |
| Re-Imbursement of Expenses for Anthony Buckley from MBUF pooled fund for December 2015 meeting. EIOR 94826 | 1,154.60 | 1,154.60 |  |
| MBUF Travel Reimbursement Anthony Buckley 2/2016 | 693.44 | 693.44 |  |
| Mileage Based User Fee (MBUF) Travel Buckley SEA to DC 6/16 | 48.43 | 48.43 |  |
| Mileage Based User Fee (MBUF) Travel Buckley SEA to DC, Sept 27-28, 2016 | 468.14 | 468.14 |  |
| FY17 Airfare (from SWIFT) | 3,239.00 | 3,239.00 |  |
| Mileage-Based User Fee Alliance | 5,000.00 | 5,000.00 |  |
| June 21, 2017 Anthony Buckley MBUFA Quarterly Meeting | 493.13 | 493.13 |  |
| Airfare MBUF Travel to DC Buckley June 2016 | 535.90 | 535.90 |  |
| 93436 Anthony Lee Buckley WA state DOT 2/21,2/23/2016 SeattleMBUF pooled fund, not on plan Air, and lodging | 1,154.60 | 1,154.60 |  |
| NV 2017 & 2018 Mileage Based User Fee (MBUF) | 10,000.00 | 10,000.00 |  |
| **Totals:** | 58,954.90 | 58,954.90 | 58,954.90 |

**2/11/2020 Available Balance:** $1,045.10

## Attachments

### Attachment 1**:**

**Proposal to Conduct Pre-Deployment Activities for a Minnesota User Based Fee Demonstration, Minnesota Department of Transportation, May, 2016**

### Attachment 2:

**Washington State Road Usage Charge Pilot, Washington State Department of Transportation and Washington State Transportation Commission, May 2016**