

## **Road User Fee Pilot Program Results Summary**

### **BACKGROUND**

The 2001 Oregon Legislature established the Road User Fee Task Force “to develop a design for revenue collection for Oregon’s roads and highways that will replace the current system for revenue collection.” After considering 28 different funding ideas, the task force recommended that the Oregon Department of Transportation (ODOT) conduct a pilot program to study two strategies called The Oregon Mileage Fee Concept: (1) the feasibility of replacing the gas tax with a mileage based fee collected at fueling stations and (2) the feasibility of using this system to collect congestion charges. ODOT launched a 12-month pilot program in April of 2006 designed to test the technological and administrative feasibility of this concept. The program included 285 volunteer vehicles, with 299 motorists, and two service stations in Portland.

### **KEY FINDINGS**

#### **The concept is viable.**

The pilot program showed that, using existing technology in new ways, a mileage fee could be implemented to replace the gas tax as the principal revenue source for road funding. At the conclusion of the pilot program, 91 percent of pilot program participants said that they would agree to continue paying the mileage fee in lieu of the gas tax if the program were extended statewide.

#### **Paying at the pump works.**

The pilot program showed that the mileage fee could be paid at the pump, with minimal difference in process or administration for the motorist compared to how they pay the gas tax. Like the gas tax, collection of the mileage fee can be embedded within routine commercial transactions, with the bulk of it pre-paid by the distributor in the form of the gas tax. By including the mileage fee in the fuel bill, cash or credit payment are accommodated, just like the gas tax. Although many of the prototype components used in the pilot program did not, by definition, meet the standards of commercial products, the next stage of technology development would take the technology to commercial viability.

#### **The mileage fee can be phased in.**

The study showed that the mileage fee could be phased in gradually alongside the gas tax, allowing non-equipped vehicles to continue paying the gas tax, while equipped vehicles could pay the mileage fee. Retrofitting vehicles at this point appears expensive and difficult.

#### **Integration with current systems can be achieved.**

The study demonstrated the ability to integrate with two main existing systems: the service station point-of-sale (POS) system and the current system of gas tax collection by the state.

#### **Congestion and other pricing options are viable.**

The study showed that different pricing zones could be established electronically and the assigned fees could be charged for driving in each zone, even at particular times of day. This proves the mileage fee concept could support not only congestion pricing but also

assessment and collection of local revenues and other “zone-oriented” features. Furthermore, the area pricing strategy applied in the pilot program produced a 22 percent decline in driving during peak periods.

**Privacy is protected.**

Many levels of privacy protection can theoretically be implemented in a system similar to that used in the pilot program. There is a trade-off between privacy and information stored for enforcement, and dispute resolution. ODOT developed the system used in the pilot program with specific engineering requirements to maintain as much privacy as practicable while still allowing a feasible way to audit and challenge billings. Key privacy related requirements for the pilot program were:

- No point location data could be stored or transmitted
- All on-vehicle device communication must be short range
- The only centrally stored data needed to assess mileage fees was vehicle identification, zone mileage totals for each vehicle and the amount of fuel purchased

**Minimal burden on business.**

While distributors and gas stations bear some new accounting burdens, administration is essentially automated and can be integrated easily into existing transaction processes.

**Minimal evasion potential.**

Tampering with the on-vehicle device would result in default payment of the gas tax. The difference between gas taxes and mileage fees would likely to be very small, providing very little incentive to try to evade the basic mileage fee. The eventual fee level, on-vehicle engineering, fee structure, fuel tax rates, and penalties for tampering will determine the degree to which equipment tampering will occur.

**Low cost to implement and administer.**

Costs are associated in three areas: service stations, on-vehicle and DOT administration. Service station capital costs include the equipment while operating costs include communications with a central database and modifications to point-of-sale systems. On-vehicle capital costs will be determined by auto manufacturers and included in the price of new vehicles. ODOT will incur operating costs for auditing and providing technical assistance to service stations and motorists. Auditing should cost \$1.0 million annually, a small fraction of expected annual mileage fee revenue.

**NEXT STEPS**

Now that the Road User Fee Pilot Program validates the Oregon Mileage Fee Concept, additional development and testing must take place to prepare for full implementation. ODOT must work with world class technology firms and the automobile manufacturers to refine the on-vehicle technology and work with the fuel distribution industry to insure the ease of mileage fee transactions at the fuel pump. Further, ODOT must expand the concept to include home fueling collections and multi-state integration. ODOT must also develop cost estimates for full implementation, which could occur within the next 10 years.