

Flat Annual Usage Charge and the Road Usage Charge Program

A flat annual usage charge (“Flat AUC”) is a rate that contributes to the State Highway Fund based on vehicle fuel efficiency. In the context of road usage charging, a flat annual usage charge system would be a substitute for the actual road usage charge, which is an amount charged for each taxable mile driven.

The Oregon Department of Transportation (ODOT) recommends adding a default flat annual usage charge option to the mandatory road usage charge program created in House Bill 2464 (2017).

RATIONALE FOR A FLAT ANNUAL USAGE CHARGE

A flat annual usage charge option is a necessary component of a mandatory road usage charge (RUC) for the following reasons:

Consumer Choice: Not all drivers will want to report data from their vehicle or otherwise participate in the program. With a flat annual usage charge system, the consumer can opt to pay the flat annual usage charge, and not have to register with an account manager and report data.

Compliance: If taxpayers are non-compliant with the account manager system—for example, they do not register with an account manager, fail to pay, or frequently tamper with technology—they can be transferred into the flat annual usage charge system. If a taxpayer is still non-compliant in a flat annual usage charge system, penalties could be applied. Mirroring already established compliance tools could result in administrative cost savings.

Technical Incompatibility: Not all vehicles, even new ones, will be able to transfer data in a usable format to account manager and ODOT systems. For example, the device, the current technology to administer the RUC, cannot capture data from some electric vehicles. Even if data collection expands to include telematics, pump connectivity or cell phone triangulation, it is rational to assume that not all vehicles will be able to “talk” to a given technology. ODOT could administer a flat annual usage charge in cases where a participant’s vehicle is incompatible with RUC technology.

Ease at Point of Purchase: Vehicle owners make multiple decisions while they purchase a vehicle. Having the option of a flat annual usage charge, or a temporary flat fee while they research account manager options, eases decision making at the point of purchase.

Administrative Cost Reduction: Collecting a flat annual usage charge may reduce administrative costs. This is because it has the potential to limit the number of times a RUC payer needs to interact with the program and could be a relatively low cost enforcement mechanism. ODOT already has an established touchpoint with all vehicle owners when they title and register their vehicles. ODOT could collect the flat annual usage charge at that time.

FLAT ANNUAL USAGE CHARGE RATE SETTING

A flat annual usage charge should be based on the MPG of the vehicle. MPG determines the amount the vehicle already contributes to transportation funding through fuels tax: a 25 MPG vehicle pays more in fuels tax than an all-electric vehicle, which currently pays no fuels tax. ODOT recommends that, when determining flat annual usage charge, vehicle MPG be combined into “bins” to be administratively less cumbersome than each MPG. For example, 20 to 24 MPG would be a certain rate, 25 to 29 MPG would be another rate, and so on.

To simplify the fee schedule, a static miles presumed traveled should be set. Setting the yearly miles traveled at a high percentile will disincentivize owners who drive more to choose the flat annual usage charge to avoid paying their fair share. The average miles traveled per vehicle in Oregon is about 10,000 miles a year, but many vehicles drive well above this amount. ODOT recommends setting the flat annual usage charge rate based on 18,000 miles traveled per year, which would ensure that fewer than 20 percent of vehicles would pay less than their fair share by opting into the flat annual usage charge system. Setting the fee at this level would also encourage people to opt into the RUC system without being set so high as to be perceived as unfair.

Below is a table that illustrates the difference between RUC and fuels tax according to MPG and miles presumed traveled. This table could provide guidance to set a flat annual usage charge.

MPG Bin	Potential flat annual usage charge / year						
	\$ 14	\$ 16	\$ 19	\$ 22	\$ 25	\$ 27	\$ 30
20-24	\$ 14	\$ 16	\$ 19	\$ 22	\$ 25	\$ 27	\$ 30
25-29	\$ 39	\$ 47	\$ 54	\$ 62	\$ 70	\$ 78	\$ 86
30-34	\$ 56	\$ 68	\$ 79	\$ 90	\$ 101	\$ 113	\$ 124
35-39	\$ 69	\$ 83	\$ 96	\$ 110	\$ 124	\$ 138	\$ 152
40-44	\$ 79	\$ 94	\$ 110	\$ 126	\$ 141	\$ 157	\$ 173
45-49	\$ 86	\$ 103	\$ 121	\$ 138	\$ 155	\$ 172	\$ 190
50-54	\$ 92	\$ 111	\$ 129	\$ 148	\$ 166	\$ 185	\$ 203
55-59	\$ 97	\$ 117	\$ 136	\$ 156	\$ 175	\$ 195	\$ 214
60+	\$ 100	\$ 120	\$ 140	\$ 160	\$ 180	\$ 200	\$ 220
EV	\$ 150	\$ 180	\$ 210	\$ 240	\$ 270	\$ 300	\$ 330
<i>Annual VMT</i>							
	10,000	12,000	14,000	16,000	18,000	20,000	22,000
<i>2025 Projected Percentile from 2009 NHTS</i>							
	51st	61st	70th	77th	82nd	86th	90th

To illustrate, here is an example of how this would work. It uses 18,000 miles as the annual miles traveled. This is an annual amount. The calculation is the annual number of miles traveled multiplied by the road usage charge rate, less the average amount of fuels tax paid for vehicles in that bin: the proposed flat annual usage charge is the net balance. This preserves the basic premise that people pay either one or the other but not both.

MPG Bin	Road Usage Charge	Fuels Tax Paid	Proposed Flat Annual Usage Charge
20-24	\$270	\$245	\$25
25-29	\$270	\$200	\$70
30-34	\$270	\$169	\$101
35-39	\$270	\$146	\$124
40-44	\$270	\$129	\$141
45-49	\$270	\$115	\$155
50-54	\$270	\$104	\$166
55-59	\$270	\$95	\$175
60+	\$270	\$90	\$180
EV's	\$270	\$0	\$270

ODOT envisions setting the flat annual usage charge as the default option for customers required to join a road usage charge system, then allowing people to opt into the road usage charge account manager program if they choose to do so. The flat annual usage charge could also be implemented outside of a road usage charge system.

ODOT RECOMMENDATION

ODOT recommends including a default flat annual usage charge provision in a mandatory road usage charge program. This will provide choice, reduce administrative costs, avoid technical incompatibility, and serve as an efficient compliance mechanism. The flat annual usage charge could be set according to MPG of the vehicle and presumed miles traveled.