



MILEAGE-BASED USER FEE GRANT APPLICATION

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MILEAGE-BASED USER FEES

Under a Mileage-Based User Fee (MBUF) system, drivers pay based on the number of miles they drive, rather than on the amount of fuel they buy, as is the case with the current gas tax. MBUFs are also known as Vehicle Miles

ISSUE

You asked for information about a grant application filed by Connecticut and four other states to study the use of mileage-based user fees as a mechanism to fund the transportation system.

SUMMARY

Connecticut is one of five states that jointly applied this spring to the U.S. Department of Transportation (USDOT) for \$1.49 million to study the use of mileage-based user fees (MBUFs) as a transportation funding mechanism. An MBUF system would be an alternative to the gas tax, the revenues from which are declining.

Under an MBUF system, drivers pay based on actual miles driven, rather than on how much gas their vehicles use. MBUF proponents say this is a more equitable way to raise revenue because it more accurately reflects the cost of a driver's use of the highway system. The transition from the gas tax to MBUFs has been recommended by the National Surface Transportation Infrastructure Financing Commission, among others.

Congress last year passed the FAST (Fixing America's Surface Transportation) Act, which authorized USDOT to award states up to \$15 million in grants for the development of alternative, user-based, transportation funding mechanisms.

In May, the Delaware transportation department applied to USDOT for such a grant on behalf of that state, Connecticut, New Hampshire, Pennsylvania, and Vermont, and the I-95 Corridor Coalition, an organization whose members include transportation agencies in 16 east coast states and the District of Columbia.



The five states are seeking \$1.49 million federal funds, which they would match. Connecticut has proposed providing \$300,000. Amounts to be contributed by the other states are as follows: Delaware and Pennsylvania, \$290,000 each; Vermont, \$30,000; and New Hampshire, \$580,000 in toll credits.

(State Department of Transportation (DOT) Commissioner James Redeker stated in a [July 21, 2016 letter to Senator Boucher](#) that DOT's participation depends on the availability of state funds.)

A copy of the grant application is available [here](#).

MILEAGE-BASED USER FEES

Drivers in a mileage-based user fee (MBUF) system pay a fee based directly on the number of miles they drive. Proponents say this fee more accurately reflects the cost of highway use (e.g., pavement damage, congestion, and accidents) than the gas tax. "Especially for passenger vehicles, most costs of highway use are related to miles driven," the Congressional Budget Office [reported](#) in 2011. (See also [OLR Report 2012-R-0029](#) for more on the MBUF system.)

MBUF supporters also say such a system would be more equitable than the gas tax because drivers would pay the same rate per mile. Under the current system, drivers of vehicles that are not fuel efficient pay more to travel the same distance than drivers of vehicles that get better gas mileage.

An MBUF system also would provide a more reliable and steady income stream than federal and state fuel taxes, proponents say. The grant application says these taxes are not sufficient to meet the present needs of an aging highway infrastructure or to improve that system in the future.

Transportation officials cite several reasons for this, including rising highway construction and repair costs; a federal gas tax that was last increased in 1993; the effect of inflation on state gas taxes, most of which have not kept pace; increased fuel efficiency of gas-powered vehicles; and the advent of electric vehicles. (Electric vehicles do not use gas or pay a gas tax.)

[Paying Our Way](#), a 2009 report of the National Surface Transportation Infrastructure Financing Commission, is one of several studies that have examined possible funding sources as alternatives to the gas tax. The commission concluded that "the most viable approach to efficiently fund federal investment in surface transportation in the medium-to-long-run will be a user charge system based more

directly on miles driven (and potentially on factors such as time of day, type of road, and vehicle weight and fuel economy) rather than indirectly on fuel consumed." The Commission recommended that Congress begin an aggressive research and pilot program.

The 2015 federal FAST Act authorized USDOT to award up to \$15 million in grants to states to develop alternative, user-based, transportation funding mechanisms. The USDOT said it was most interested in funding larger scale pilot programs and both single and multi-state projects.

State Transportation Commissioner Redeker, in his July 21 letter, noted that a multi-state approach to MBUF "is the most effective way to test MBUF fee options" in the northeast.

"The lack of progress [in exploring alternatives to the gas tax] in the northeast is due largely to the small geographic size of northeastern states and the large volume of cross-border travel," he wrote. "In order to be effective in the northeast, an integrated multi-state system is required. This requires many states to agree to participate and a more complex system of collecting data and administration."

GRANT GOALS AND OBJECTIVES

The grant application states that its "overall vision" is to "lay the foundation for a viable mileage-based MBUF approach...and enable a smooth transition from the current gas tax to this more sustainable and user-based funding source."

The application notes that a number of areas must be addressed, including questions of implementation and cost-effectiveness, coordination with existing toll facilities, setting appropriate mileage fees, and minimizing administrative costs.

A "Corridor Coalition MBUF Steering Committee" comprised of representatives of the participating states and "key stakeholders from the tolling industry" is to manage and oversee the project.

Its goals and objectives include:

- addressing regional issues necessary for national adoption and implementation of MBUFs;
- increasing public acceptance of MBUFs; and
- creating a low-cost administrative framework to administer the system.

GRANT COMPONENTS

The application includes two main components: Planning and Pre-Deployment Activities, and Focused Pilot programs, with specific activities included in each. Connecticut, Delaware, New Hampshire and Pennsylvania would participate in both components; Vermont in the planning component only.

Planning and Pre-Deployment Activities

Activities in this phase will include:

- coordinating with potential MBUF vendors;
- addressing issues of corridor and regional consistency and accurately estimating out-of-state mileage;
- accommodating cross-state transfers of MBUF funds;
- developing an outreach and education plan; and
- developing model state legislation, including legislation authorizing pilot projects.

Focused Pilot Programs

Activities in this phase will include the issuance of RFPs (requests for proposals) solicitation of vendors, evaluating and implementing the programs, and educating and informing the public. The goal will be to “demonstrate to a group of state and local decision makers and key stakeholders how MBUFs may work, and that it can be a viable, fair, flexible, and sustainable funding source for transportation,” the application said.

Operating Parameters for State-Specific Focused Pilot. According to the application, the state pilot programs will have the following features in common:

- Each pilot program will consist of up to 50 passenger cars.
- Participants will include senior transportation and finance officials, legislators, local officials, and possibly the press.
- Each pilot will last four months, with another four months for evaluation and a final report.
- Participants will not actually pay the mileage fee, although fake invoices will be sent out on a regular basis.

- States will select MBUF vendors, who will manage the data collected during the pilot and purge it within 30 days of the evaluation's completion.
- Proven technology will be used to record and report mileage.

Proposed Schedule

The application sets out a preliminary timetable for completion of various aspects of the project. For example, it sets approximate deadlines of

- February 1, 2017 for operational concept documents on state-specific MBUF pilot projects;
- July 1, 2017 for model state MBUF legislation; and
- April 1, 2018 for final pilot reports.

Enabling Legislation and Privacy Protection

The application notes that the success of an MBUF pilot program depends both on whether the system works and whether the public accepts it. It says the best way to provide the protections necessary to gain public acceptance is through state legislation that, among other things, sets specific parameters that state agencies and other public entities must follow to protect user privacy and choice. "Public acceptance is not possible without protecting personally identifiable information," the application says.

In addition to privacy protections," the application states, "legislation ideally should include the authorization for pilots...that test the system and technology for reliability, ease of use, interoperability, cost of administration, and the potential for fraud. The legislation must also clarify that any fee imposed is in lieu of, and not in addition to, the current gas tax."

The application also called for state legislation creating bipartisan task forces or advisory committees of transportation experts to "manage the specifics of the program and report back to the legislature."

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