



Mileage Based User Fee Policy Task Force

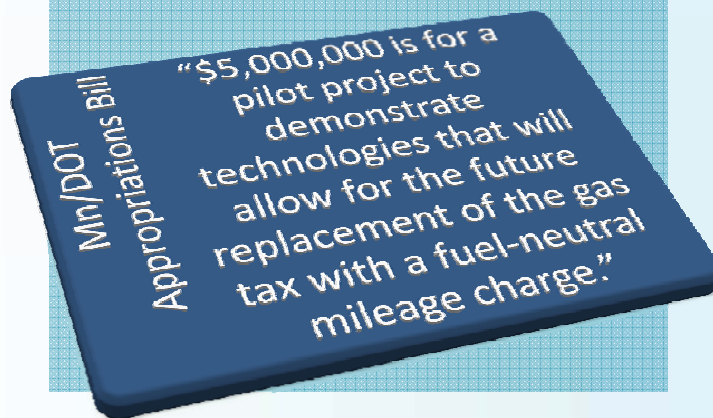
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Mileage Based User Fee Policy Task Force
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March 12, 2012

Overview

- Background
 - Statutory Direction
 - Charge of Policy Task Force
 - Technology Demonstration
- Problem Statement & Policy Objectives
- Public Sentiment
- Task Force Findings and Recommendations
- Summary

Statutory Direction



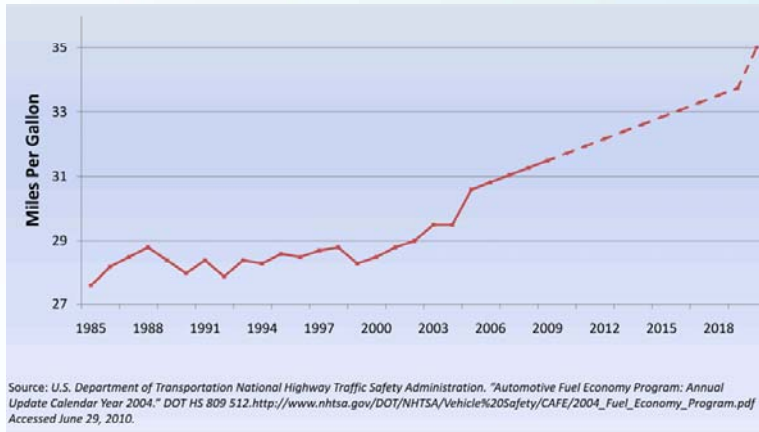
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Charge of Policy Task Force

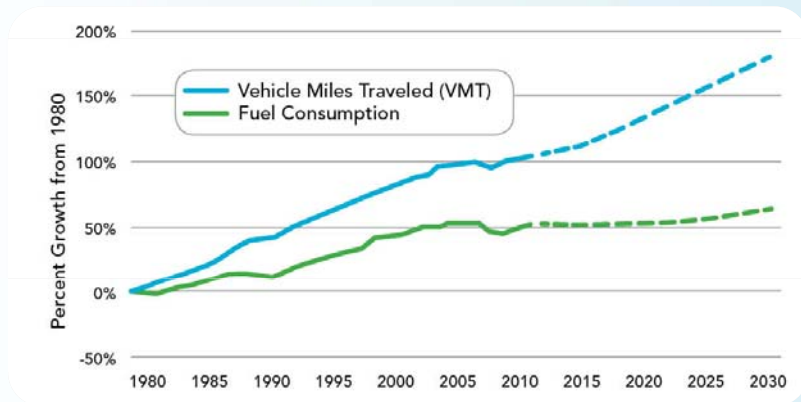
Discuss and evaluate questions, concerns, expectations, and preferences about the use of MBUF as a future transportation funding mechanism. Provide policy direction to the MnDOT Commissioner for the MBUF technology demonstration and potential broader implementation of MBUF in MN.

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Estimates of Average Fuel Economy (mpg)



Trends in VMT and Fuel Consumption (1980-2030)



State and Federal Gas Taxes Paid Annually

(taxes per year)	Light Duty Truck (20 mpg)		Passenger Car (30 mpg)		Hybrid (40 mpg)		Electric Vehicle (non-gas powered)	
	State Tax *	Federal Tax **	State Tax *	Federal Tax **	State Tax *	Federal Tax **	State Tax *	Federal Tax **
20,000 miles/year	\$280	\$184	\$187	\$123	\$140	\$92	\$0	\$0
15,000 miles/year	\$210	\$138	\$140	\$92	\$105	\$69	\$0	\$0
10,000 miles/year	\$140	\$92	\$93	\$61	\$70	\$46	\$0	\$0

* Minnesota tax on gasoline is \$0.28 per gallon as of publication.
 ** Federal tax on gasoline is \$0.184 per gallon as of publication.

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Gas Taxes Paid per Mile

Fuel Consumption (mpg)	State Gas Tax (cents per mile)	State + Federal Gas Tax (cents per mile)
10 (delivery truck)	2.8	4.6
20 (light duty truck)	1.4	2.3
30 (passenger car)	0.9	1.5
40 (hybrid)	0.7	1.1
50 (hybrid)	0.6	0.9

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Mileage-Based User Fee

- Drivers pay for road use on a per-mile rather than per-gallon basis
- In-vehicle technology records total miles driven
- Payment collected on a periodic basis
- Complex issue with many technical and policy options

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Two-Part Effort

1. Technology Demonstration
 - 500 vehicles in Hennepin and Wright Counties
 - Recent news headlines
2. Policy Study
 - Engage key stakeholders to identify and evaluate MBUF issues



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Minnesota's Technology Demonstration

Demo Objective: Use a commercially available navigation and communication device and add customized software to collect a fee

- ▶ allow for various factors to be included in fee structure
- ▶ allow the system to be used for other purposes like in-vehicle signing
- ▶ allow for market forces to improve technology
- ▶ addresses MBUF specific concerns (Privacy, Equity, Enforcement and Evasion, and Administration Costs)

Technology Installation



Minnesota's MBUF Technology Demonstration

- 2007 Legislation authorized demonstration
- 500 vehicles to be demonstrated in each of three waves, Wright and Hennepin Counties
- Using Smartphone technology
- First wave launches in September 2011
- Last wave launches May 2012
- Parallel public policy evaluation is being undertaken
- Demonstration complete in 2012

Fee Assessment Approach

- “Real” money will change hands
 - Demonstration includes invoicing and payment by participants through PayPal
- Each participant will be provided with an up-front incentive to participate
 - Incentive will be sufficient to “cover” approximately four months of travel
- No MBUF fees assessed until the third month of participation
 - Participant pays MBUF fees for months 3-6
 - Will never have to pay more than the initial incentive

Statewide Survey

Minnesotans tend to like MBUF because:

- All drivers pay their fair share for roadway use
- It is flexible enough to work with all future vehicle fuels

Minnesotans tend to be concerned about MBUF because of:

- Cost and complexity
- Reliability of the technology
- Privacy

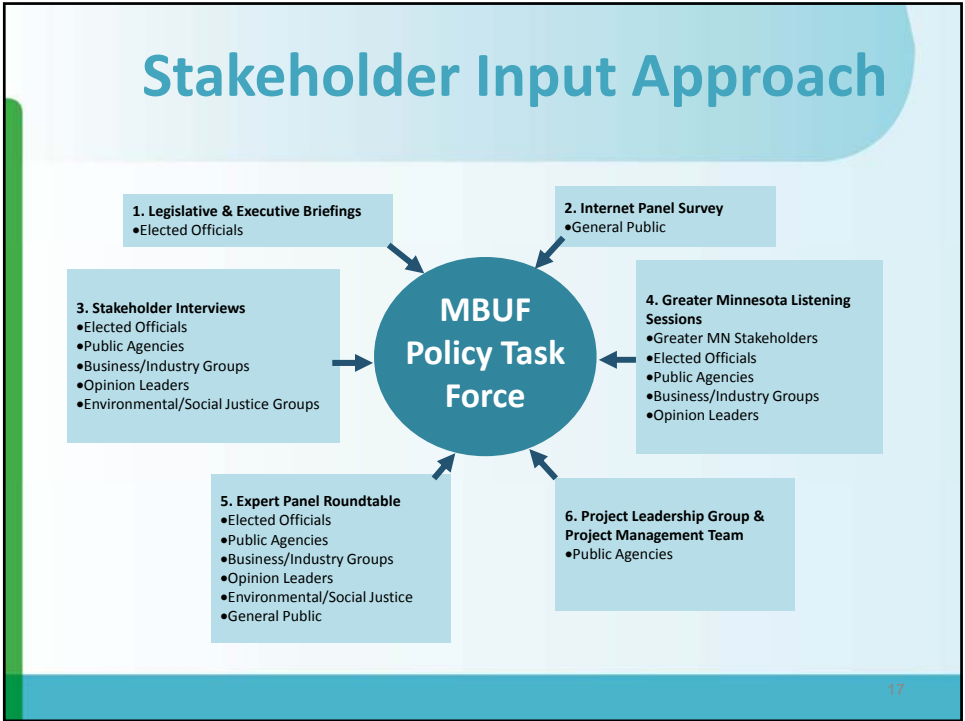
Statewide Survey (cont.)

Minnesotans tend favorable MBUF if it:

- Charges large, heavy polluting vehicles more per mile
- Use a non-governmental audit firm to ensure data privacy
- Make the cost and maintenance of equipment a governmental responsibility, not a driver responsibility

Minnesotans tend to be unfavorable about MBUF if it charges differential rates for:

- Time of day
- Level of congestion
- Location of driving



Task Force Problem Statement

As more people continue to use fuel-efficient and alternative-fuel vehicles that are not fully taxed or are untaxed, less revenue will be generated by the fuel tax. In addition, changes in demographics and travel trends will further reduce revenue contributed to the fuel tax fund. As a result, future revenues will be inadequate to fund Minnesota's transportation infrastructure.

Several states, including Minnesota, Oregon and Washington, are evaluating charging motorists based on the miles they drive, referred to as mileage-based user fees, to understand the opportunities and challenges of such a transportation funding approach in Minnesota.

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Policy Objectives

Primary Objectives

- Promote Equity
- Generate Transportation Funds

Ancillary Long Term Objectives

- Protect the Environment
- Improve Transportation System Performance

Finding #1



Minnesota has entered an era in which an increasing number of vehicles are using little or no conventional motor fuel... Over time, this trend will cause the motor fuel tax to be more disproportionately applied and become an increasingly inadequate transportation funding method

Recommendation #1

Any future transportation funding method(s) must ensure that all drivers pay their fair share for building and maintaining the roadway transportation system they use

Finding #2



Minnesota has entered an era of uncertainty regarding the mix of fuel sources drivers will choose

Recommendation #2

Minnesota's roadway transportation funding methods must cover all vehicles using that system, regardless of the type of fuel(s) used

Finding #3



MBUF faces significant challenges that must be overcome before broader consideration for use in Minnesota, it is a transportation funding method that can (a) ensure that all drivers pay their fair share for using the roadway system, and (b) is flexible enough to be effective with any future fleet of vehicles using the system

Recommendation #3

State policymakers should engage in a thoughtful discussion regarding whether to use an MBUF system to address future funding gaps between motor fuel tax revenues collected and the cost to preserve, maintain and expand the roadway transportation system

Finding #4



Individual states or group(s) of states may need to take the lead on a system of MBUF to avoid a transportation funding crisis

Recommendation #4

MN state government should conduct larger scale MBUF trials, possibly in partnership with contiguous states

Finding #5



The complexity and nascent of this issue makes the Task Force reticent to make recommendations about detailed design aspects of an MBUF system

Recommendation #5

MnDOT should conduct a detailed technical analysis of MBUF to evaluate the types of issues, concerns and design options. General parameters include:

- A. Set MBUF to a level sufficient to adequately fund roadway system
- B. Revenues should be constitutionally dedicated to roadway purpose
- C. Keep costs as low as possible without compromising system effectiveness

Recommendation #5 (cont)

- D. Rates should reflect the relative amount of cost and benefit that different vehicles and users
- E. Transparency
- F. Keep costs as low as possible without compromising system effectiveness
- G. MBUF's rate setting process should be transparent and accountable to the public and elected officials
- H. An initial MBUF system should start out simply, and phase-in additional features and value-added services over time

Finding #6

Many important and complex decisions need to be made about the specific form an MBUF system could take



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Summary and Appendix

Task Force recommends that exploration of an MBUF system for Minnesota continue to advance in a measured, informed and thoughtful manner guided by the six findings and recommendations presented above.

Report unanimously adopted by Task Force and includes Appendix A: Minority Opinion, that had three supporters

MBUF Task Force Members



Front row: Margaret Donahoe, Mayor Jim Hovland (Vice Chair), Bernie Lieder (Chair), Steve Elkins, Ron Erhardt, Wade Kline.
Second row: State Representative Frank Hornstein, State Senator Scott Dibble, Steve Murphy, Bob Anderson, Christine Zimmer.
Third row: John Mock, Barb Thoman, Roy Terwilliger, Bob DeBoer, State Representative Mike Beard.
Back row: Bob Krogman, John Hausladen, Don Jensen.

Minnesota Mileage Based User Fee Program

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<http://www.dot.state.mn.us/mileagebaseduserfee/index.html>