How We Got Here

- Northeast Texas RMA (2008)
- LBB report (2009) – *State Government Effectiveness and Efficiency: Selected Issues and Recommendations*
  - Implement a study to determine feasibility of VMT tax
- HB 3932/HB 300 (2009, 81st session)

A Context for Change

- TRB Analysis: fuel consumption ↓ 20% by 2025
- Fuel taxes are problematic as a long-term funding source
  - Fuel taxes are primary source of state transportation funding
  - Fuel consumption is declining
  - The fuel tax will become a less sustainable and less equitable proxy fee for road use into the future
- Is there a better alternative?

A Context for Change

- Research and testing underway at state and national levels to explore mileage fee applications
- Vehicle mileage fees are considered a more sustainable and equitable approach
  - Reflects actual use
  - Not affected by increases in fuel efficiency
- Represents a significant change over current system

Study Methodology

Purpose of Study

To explore vehicle mileage fees as a possible funding mechanism for Texas

Study Scope

- Document the state-of-the-practice in mileage fees
- Gather input and perspectives from Texans, both driving public and stakeholders
- Engage a panel of technology experts to provide input on possible deployment options
- Present concepts for consideration

Study Methodology

Yoakum – Dallas – Laredo – Abilene - Corpus Christi

- Recruitment and composition
- Topics discussed
  - Transportation funding and fuel tax basics
  - Mileage fee concept
    - Technology options - low, medium, high tech
    - Payment and transition
- Focus group findings
  - Lack of knowledge of fuel tax and transportation funding
  - Negative reaction to mileage fees
  - Consistency in concerns raised: privacy, cost, enforcement
  - Preferences: low tech, no single annual payment, pay-at-the-pump

Public Acceptance Barriers

- Three principal concerns
  - Maintaining driver privacy
  - Administering the system effectively
  - Ensuring fairness of enforcement
- Keys to addressing public concerns
  - Crafting effective public policy addressing concerns from the get-go
  - Technology demonstration projects
    - "Proof of concept" for the general public

Applications for Mileage Fees

- Mileage fees: a logical and sustainable solution
- Simple solutions will engender the most support
- Demonstrate technologies to show how they would work in Texas
  - Any demonstration should address three principal concerns: privacy, administration, and enforcement

Research Recommendations

- Suggested pilot model
- Policy assumptions
  - Maximize driver privacy, but provide more detailed data capture for those less concerned about privacy
  - Rely heavily on existing frameworks to minimize administrative costs
  - Leverage existing enforcement infrastructure and processes

Proposed Model: Electric Vehicles (EV)

- Targets non-user-fee-paying vehicles
- Focus groups favored charging drivers not currently paying
- Would provide a proof of concept that addresses three principal concerns
- Comptroller's Office is logical lead
  - Currently administering liquefied fuel tax
  - Coordinate with DMV and TxDOT

EV Model: Collecting Fees

- Annual odometer readings (low-tech solution)
  - Flat fee added to annual vehicle inspection fee
  - All mileage counted
  - Potentially high "lump-sum" annual fee
    - Potential for quarterly payments (à la the IRS)
- GPS-based (high-tech solution)
  - Trade-off: privacy versus auditability
  - Ability to parse in-state from out-of-state mileage
  - Other value-added services: safety, mobility, personal

EV Model: Privacy Concerns

- Low-tech solution gathers no location data
- High-tech solution provides those less concerned privacy with more detailed location data
- Choice itself might alleviate some concerns
  - Voluntary nature of this system appeals to drivers

EV Model: Administrative Concerns

- Low-Tech Solution
  - Piggybacks new process on existing one
    - Coordination among agencies
    - Enforcement/auditing mechanisms
  - Only total mileage and fee amounts collected
- High-tech Solution
  - Administrative costs difficult to predict; more experimental
  - Costs potentially mitigated by private sector
  - Mileage fees added on to fees for other services

EV Model: Enforcement Concerns

- Low-Tech Solution
  - Leverages existing procedures (inspections)
  - Occurs concurrently with inspections
- High-Tech Solution
  - Detailed mileage verified against odometer reading
  - Flat fee based on mileage discrepancy

Tax Policy Option

- Replacement or supplemental fee?
- Supplementing the fuel tax has advantages
  - No system needed to address crediting fuel tax paid
  - Annual payments likely to be small relative to fuel taxes paid
  - Incentives for fuel-efficient vehicles maintained, but electric vehicles still pay
  - Legislators have more subtle control over funding mechanisms
  - Reduces inherent conflict between funding transportation (through fuel sales) and environmental stewardship

Other Policy Questions

- What are the revenue goals of the system?
- What role will private-sector entities play in the development and administration of the system?
- To what extent should the system accommodate changes in rate structure and jurisdictional boundaries?
- To what extent will fees vary between vehicles? Will rates vary based on time and location? By emissions class?

Conclusions

- Are mileage fees right for Texans?
  - Not now. Texans say we need to fix the current system first
  - Public unclear about how transportation funding works in Texas, and doesn't recognize a problem
  - Texans have concerns with privacy, administration and enforcement of mileage fees that will need to be addressed
- The need for a solution
  - Fuel tax alone won't sustain Texas transportation
  - A more direct user-fee approach should be considered; electric vehicles are a logical starting point
  - Legislative action will be needed to pursue public education and address policy questions