Research Brief

TO: Representative Shelley Hughes
FROM: Susan Haymes, Legislative Analyst
DATE: February 4, 2015
RE: Oregon's Vehicle Miles Traveled Program
            LRS Report 15.192

You asked about vehicle miles traveled (VMT) programs. Specifically, you wished to know about Oregon's road usage fee program.

Oregon, like almost all states, has relied on state motor fuel taxes as a primary source of revenue to fund the state's roads and highways. Recognizing that the level of revenue from the fuel tax would soon be undermined by the influx of more fuel-efficient vehicles, the Oregon Legislature created the Road User Fee Task Force in 2001. Comprised of state legislators, transportation commissioners, local government officials, and citizens, the task force was charged with finding a replacement for the fuel tax—namely, a road user fee based on distance traveled, also known as a vehicle miles traveled (VMT) fee. The task force conducted two pilot projects to gather driver feedback on different options.[1] The first study, conducted in 2006-2007, equipped 285 vehicles with GPS receivers to register the miles driven. The information was then automatically uploaded to a central database when drivers refueled at gas stations. According to the Oregon Department of Transportation (ODOT), the program functioned as intended but the public expressed concerns about privacy, particularly related to the GPS-based reporting devices, and the cost for government administration of a new revenue collection system.[2] The ODOT believed adequate protections had been built into the GPS mileage reporting devices; nevertheless; certain sectors of public were not convinced the protections were adequate.

Oregon conducted a second pilot project in 2011-2012, using a system based on open architecture principles and motorist choice.[3] In short, those rules stressed that government should not select the method of mileage reporting drivers may use and, further, private sector companies should have the opportunity to market not only mileage reporting devices but also tax processing and account management services. At the same time, the dramatic growth in smartphones and software applications only reinforced the idea that drivers should choose their technology from the market. In addition, mileage reporting technology was starting to appear in some new cars and electric vehicles. Oregon lawmakers noted that an open system also allows for greater flexibility in laying a foundation for a reporting system that could work in multiple states or nationally.

The second pilot project involved 88 drivers from three states. This project was the first to actually collect fees and send them to the state treasury. Drivers were charged 1.56 cents per mile and could choose from a variety of payment plans. For example, the basic payment plan used only the miles driven as reported on the vehicle's odometer and, as such, did not distinguish between public and nonpublic roads. The advanced plan employed devices that used location-determination

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[1] The final reports for the two pilot projects can be accessed at *http://www.oregon.gov/ODOT/HWY/RUFPP/Pages/rucpp.aspx*.

[2] Another concern was the possible disproportionate impact of a VMT system on rural residents who often have to drive longer distances. In 2012, ODOT undertook a study of the issue and found that on average, rural residents would not be affected in any significant way by a road usage charge. Oregon Department of Transportation, "Road Usage Charge Pilot program 2013 and Per-Mile Charge Policy in Oregon," 2013. The document can be accessed at *http://www.oregon.gov/ODOT/HWY/RUFPP/docs/RUCPP%20Final%20Report%20-%20May%202014.pdf*.

[3] Open architecture is a type of computer or software architecture that is designed to make adding, upgrading and swapping components easy. The specifications are public so that anyone can design add-on products for it. The Linux operating system, for example, is considered open architecture because its source code is available to the public for free.

technology for reporting mileage, so that miles driven on public roads could be accounted for separately. The ODOT also offered a smartphone plan and a flat fee plan. The revenue collected exceeded the fuel tax receipts that otherwise would have been collected by nearly 28 percent.

After the two pilot projects, the Oregon Legislature in July 2013 enacted Senate Bill 810, which directed the ODOT to deploy the nation's first road usage charging system for light vehicles beginning in 2015. The program, known as OReGO, will engage up to 5,000 initial participants who will be charged 1.5 cents per mile driven on public roads.[4] This rate is designed to be revenue-neutral and equates to the state's current vehicle fleet fuel economy, which is approximately 20 mpg. The fee can only be increased by legislative action. The ODOT is currently signing up volunteers and the program is scheduled to begin on July 1, 2015.

The key requirements from SB 810 to be implemented in OReGO are as follows:

- Inclusion of up to 5,000 volunteer cars and light-duty commercial vehicles registered in Oregon, with no more than 1,500 vehicles having a fuel efficiency rating of less than 17 mpg, and no more than 1,500 vehicles with a fuel efficiency rating between 17 and 22 mpg.

- A road usage charge rate of 1.5 cents per mile for travel.

- Volunteers will get a refund/tax credit on their bill to offset the fuel tax they pay at the pump.

- Refunds for travel on private roads in Oregon. Under Oregon law, vehicle owners can already apply for a state fuel tax credit for all the miles they drive on non-public roads. The OReGO monitoring options with GPS will make this process easier.

- The ODOT is to develop methods that volunteer vehicles can use to measure and report mileage. At least one method will not use vehicle location technology.

- Volunteers will have choice of secure mileage reporting options offered by OReGO's private-sector partners.

- The use of open system technology.

- Establishment of contracted private sector partners under statutes of the Oregon Innovative Partnerships Program.

- Data protection including the elimination of all location-based and daily metered use data, according to strict timelines unless the volunteer consents to retention.[5]

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[4] More information on OReGO can be accessed at *http://www.myorego.org/*.

[5] Oregon Department of Transportation, "Road Usage Charge Pilot program 2013 and Per-Mile Charge Policy in Oregon," 2013. The document can be accessed at *http://www.oregon.gov/ODOT/HWY/RUFPP/docs/RUCPP%20Final%20Report%20-%20May%202014.pdf*.

According to the National Conference of State Legislature (NCSL), at least 18 other states have used a study or pilot project to examine the feasibility of a vehicle-miles fee or a mileage-based user fee as an alternative to the motor fuels tax.[6] For example, Iowa and Washington have both conducted pilot projects.[7] In addition,

- In 2012, Vermont passed HB 770, which created a Committee on Transportation Funding to among other things consider a vehicle miles traveled tax.

- In 2014, California created an advisory committee to develop a VMT pilot project (S. 1077), and Indiana passed a bill that requires the Department of Transportation to contract with a third party to study alternative funding mechanisms including a VMT system (H. 1104).

- In January 2015, Texas and Virginia lawmakers introduced legislation to consider VMT fees in those states.

- Colorado, Idaho, and Minnesota are also exploring the VMT fee as one way to fund highway construction and maintenance.

We hope this is helpful. If you have questions or need additional information, please let us know.

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[6] More information is available from the NCSL at *http://www.ncsl.org/research/transportation/ncsl-transportation-funding-finance-legis-database.aspx*.

[7] Council of State Governments, "Vehicle Miles Traveled Fees," A Trends in America Special Report, March 2010. The report can be accessed at *http://www.csg.org/policy/documents/TIA_VMTcharges.pdf*.