



VMT-Based Fees: Issues and Considerations from a Multi-State Perspective
I-95 Corridor Coalition Brainstorming Session
May 5, 2009

Purpose

To gain input on:

1. The appropriate role for the I-95 Corridor Coalition in a multi-state VMT-Based Fee program or pilot, and
2. The scope of a multi-state VMT-Based Fee case study project.

Attendees

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Jim Whitty, Oregon DOT
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George Schoener, I-95 Coalition
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Mike McGurrin, Noblis
Gary Euler, Telvent
Arlee Reno, Cambridge Systematics
Dave Gehr, PB Americas
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Issues and Considerations

Note: With the exception of the final summary section, the notes provided here capture the thoughts raised during the brainstorming session; they do not reflect a consensus among attendees.

Test Bed vs. Early Deployment

- The term "test bed" may suggest that the Coalition is reactive – waiting for the government or other groups to define the system. Early deployment in the form of a pilot program would be proactive and the preferred choice.
- The choice isn't mutually exclusive; the Coalition region could provide both a pilot deployment project and serve as a test bed.
- The focus should be on early deployment over studies.

User Groups and Allies

- Because the insurance industry has the capability to determine fees through VMT technology, they may serve as an ally on common technology interests.
- Open road tolling partnerships (public and private) would be beneficial.
- Competition among private sector firms should lead to innovation on the technology side.
- The more allies, the better.

Revenue Neutral vs. Additional Revenue Generation

- Revenue Neutral
 - Increasing revenues in a pilot program would make it difficult to obtain volunteers.
 - A revenue-neutral pilot can look at the results on a dollar-to-dollar comparison to the motor fuel tax to determine how the systems compare.
 - A revenue-neutral pilot can demonstrate flexibility.
- Additional Revenue Generation
 - Since needs are not currently being fully met; this program should advance net new revenue.
 - The states will only band together if the program is attractive compared to current pricing and revenues.
 - Sticking with revenue-neutrality hides some of the greatest benefits of a VMT system (system flexibility relative to policy choices).

Framework and Revenue Collection/Distribution

- One of the big unknowns with a VMT-based fee program is the cost to administer.
- Appropriate revenue distribution among and within states will be a key element to the program's success.
- The framework is what's important for a multi-state study, not the technology.
- Two existing multi-jurisdictional revenue collection systems are already in place and could be a model and/or expanded for a VMT-based fee Program:
 - IFTA and IRP
 - Expand beyond commercial vehicles
 - Toll Road Systems
 - Use the model, not necessarily the toll authorities themselves
- Not all users want to be billed in the same way.
- If fees will be collected, a demonstration will not work. Fees should be collected after a system is in place. Consider the use of "play" money rather than real money to change hands; the demonstration would be for collecting information only. Conversely, consider collecting real fees for the federal portion, and simulated fees for the state portion.
- Pricing considerations should include:
 - Caution in adjustments for personal economic standing (adjusting for the poor may be perceived as social engineering), and
 - How to deal with toll roads vs. non-toll roads
- Should VMT-based fee programs become reality, a national system architecture will likely develop. The Coalition, however, should proceed with its VMT-based fee project in the interim (and possibly provide input to a national architecture).

Federal Fees vs. Federal-State-Local Fees

- There's nothing to be gained in a multi-state pilot vs. a single-state pilot if the focus is on federal fee collection only.
- If the focus is on federal fees only, then it's not a true institutional test.
- The IRS is the only agency with the ability to collect revenues for the federal government and a federal VMT system would need to comply with IRS requirements.

Public Perception and Education

- Public acceptance is a major issue in pulling the pieces of a VMT-based fee program together.
- Public acceptance would improve if additional technology features (e.g., VII safety or mobility applications) were enabled and if the pilot extended for a longer period (allowing the user market to gain knowledge).
- Some studies suggest that the public generally supports tolling and road pricing when they understand the projects. It would be imperative to educate the public on the current system (and its faults), the purpose of a VMT-based fee, and the resulting benefits.
- Privacy issues will be a primary concern of the public; education on how the data will be used is important.

Technology

- A primary decision on a multi-state pilot is whether the test would be technology-neutral or a technology demonstration program.
- An open architecture and/or open platform, and open interfaces would allow 3rd party providers to build on that platform – allowing competition among the private sector and supporting technology advances.
- The focus of a multi-state pilot should not be on vehicle technology; what's important is the program's administration. The vehicle technology can be resolved by working with private industry through the provision of standard specifications to count and report miles traveled. Motorists can select devices based on privacy concerns, payment options, etc.
- A pilot program can enable various technologies to be deployed.
- The On-Board Diagnostics (OBD) port found on all modern vehicles could be used as the basic in-vehicle technology and allow the pilot to focus on the institutional framework, rather than on technology. The OBD port provides a higher level of automation than odometer readings; however, it does not have geographic location capabilities. This might be an issue in the collection and distribution of revenues.

Congress, Legislators and USDOT

- The dialogue with legislators should start now to determine and garner support (and avoid surprises). Early discussions might also trigger a positive competition among the states by highlighting specific advances and accomplishments.
- Congress has limited knowledge and awareness on the subject and will likely be seeking advice and guidance.
- If Congress pursues a truck test, they'll need a structure and the Coalition could serve this purpose.
- The results of current and planned VMT-based fee programs will become available during the upcoming Authorization period, and VMT-based fee programs may not be mandated in this Authorization.
- A Congressional champion, as well as champions at the state level, would be beneficial to the Coalition's efforts.
- The likelihood of getting three contiguous state legislatures to go forward with a program is a limiting factor.
- Incentives needed to get state legislatures on board should be defined.

Additional Considerations and Unique Opportunities for the I-95 Corridor Coalition:

- To date, only small scale pilot programs have been attempted; the I-95 Corridor Coalition could conduct a large-scale multi-state demonstration. The Coalition's demonstration would need to add value over and above the results of a single-jurisdiction test.
- The two reports of the National Transportation Commissions have triggered action and the Coalition needs to ensure that it follows a path to the future and not to a high profile pilot failure. Significant planning is needed to ensure that a successful path is followed; following a pilot failure would set back VMT efforts.
- Auditing and enforcement need to be addressed in all VMT-based fee programs.
- A multi-state pilot should:
 - Be voluntary (and attract volunteers)
 - Test and prove institutional arrangements that allow it to work
 - Address border issues
 - Serve as a model for a national effort
- More than one strawman proposal might be developed to shop the various options with the states to determine interest in the program and in volunteering to participate.

Summary - The Coalition's Pilot Program Should:

1. Accommodate implementation of policy choices relative to issues such as environmental (greenhouse gas emissions), congestion (pricing), and social (poor or rural travelers) considerations, and the layering of these charges relative to each other (e.g., high emissions vehicle traveling in a congested urban area).
2. Address issues relative to the application of VMT fees on tolled facilities.
3. Address issues related to the institutions and procedures needed for fee collection and audit enforcement, including coordination with the IRS.
4. Address, in a simulated context, the collection of state fees to enable exploration of issues related to collection and distribution within individual states and across state borders.
5. Address public acceptability questions, including issues related to public attitudes and motivation, privacy, and public communications.
6. Help identify the functions of a national VMT fee system needed to accommodate the policy objectives of Coalition member agencies.