



MILEAGE-BASED
USER FEE ALLIANCE

This is the Summer 2013 issue of MBUFA's e-Newsletter. Please use the links below to jump directly to articles and departments of interest. We welcome any comments and suggestions as well as contributions (news, features or links to recent research) for upcoming issues.

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Jack Basso,
Chairman of MBUFA

DC UPDATE FROM CHAIRMAN JACK BASSO

Ninety-five years ago, in February of 1919, the State of Oregon passed the country's first per-gallon tax on gasoline and introduced the concept of "user pays for road construction". The charge was one penny. A few weeks later, Colorado and New Mexico followed suit. It took the federal government until 1932, thirteen years later, to catch up. By then, all 48 states had already adopted a gas tax.

Now we have the exciting news that Oregon is once again boldly at the forefront of road and bridge financing with the enactment of Senate Bill 810, legislation authorizing the nation's first mileage-based road user charge. Up to five thousand vehicle owners will now have the option of paying a 1.5 cent per-mile user charge as a replacement for the taxes paid on gas which will be refunded to

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them by the state. Further, they will also be able to choose the tracking and reporting method.

Will it once again take the federal government 13 years to catch up?

The climate in Washington for highway financing remains as challenging as ever but the political climate makes it a high bar to clear. In the short term, most legislators recognize that raising the gas tax is the simplest and most effective mechanism for closing the shortfall in the Highway Trust Fund. It will buy time for states like Oregon to experiment and refine different mileage-based systems to respond to concerns around privacy, equitability, technology and cost. The federal government role should be to support these pilots and provide a broad framework to ensure interoperability and coordination.

This is a sensitive time in Washington as policymakers begin to draft the successor legislation to MAP-21 while wrestling with serious budget and revenue issues. For MBUFA, it is our hope that Congress will resist closing off options before they are tested, and instead foster further development of infrastructure funding mechanisms through pilot programs with the states. The best approach will be to take what is learned from these pilots to advance the next generation of financial support mechanisms for the Highway Trust Fund.

We've seen transportation history again in Oregon this summer. Congratulations to the state and to our vice chairman, Jim Whitty. They are transportation pioneers again. The nation's first highway west was the Oregon Trail. From the Pacific Northwest, they have blazed a new trail back across the country leading toward secure infrastructure funding.



Barbara Rohde,
Executive Director
of MBUFA

EXECUTIVE DIRECTOR'S REPORT

MBUFA's role continues to take shape as VMT legislation and studies continue to move at local, state and federal levels. The passage of the legislation in the State of Oregon is a watershed moment for this issue. We are already seeing interest in the language of the bill by other states and localities. The State of Nevada also has placed about \$2 million into a study for the potential role of VMT in that state. The State of Washington continues the study on alternative financing roles. The State of Minnesota is leading a pooled fund study on the issue already joined by the State of Nevada and the State of Washington.

On the federal level the pending legislation by Congressman Blumenauer in the U.S. Congress for VMT funding has prompted a range of interest for this issue and the potential it might bring to the United States. We were very pleased our member, the Colorado Contractors Association leadership met with Cong. Blumenauer in June to discuss how they could help promote his legislation as a state organization within their delegation and national organization.

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During this time, we have also been working on the administrative side of keeping the organization current: two new members have recently joined MBUFA:

- University of Minnesota Humphrey School of Public Affairs
- True Mileage, Inc.

As we go to press, we are preparing to launch our first state workshop in Tallahassee, Florida on August 15. Sponsored by the Florida Transportation Commission, we are bringing speakers from around the nation to provide background as the State of Florida looks at transportation funding alternatives. We also gained the first Platinum Sponsor for MBUFA to help defray costs for this event: Computer Aid, Inc. We certainly thank them for their generous support. We also wish to thank another of our members - Atkins - for providing additional funds for this effort.

On June 26, MBUFA Members gathered in Washington, DC to discuss various issues facing the issue and the organization. Following discussions on legislation, membership and administrative matters, we joined ITS America at their Roundtable discussion on Capitol Hill to hear more about the VMT issue from House Subcommittee on Highways and Transit Chairman Tom Petri (R-IL) and Rep. Earl Blumenauer (D-OR). Later, we met individually with both members and provided updates on the status of the issue from state and local DOT representatives.

As we move toward the Fall, we expect to continue our efforts to update policymakers on the quickly changing patterns of this issue, since currently 18 states have either legislation or studies related to mileage-based user fees being considered.



by Adrian Moore,
Ph.D Vice President
of Policy of Reason
Foundation

MBUF AND PRIVACY

It will be no surprise to you that privacy remains one of the, if not THE, most contentious issues about the idea of mileage-based user fees. As the New York Times said, for some the idea of MBUF raises "[Orwellian concerns](#)".

Charging by the mile will be a major paradigm shift for Americans. We all have the right to travel, but we don't have the right to travel for free by any means we don't provide ourselves. if we want to use the roads, it is only reasonable that we pay the cost of using them. Few dispute this, but how we pay is another matter.

Even those who support MBUF as a better and more sustainable approach to highway funding are concerned about how much personal information these systems will gather, how it will be stored, and who will have access.

From the study of literature we can extract two principal privacy issues consumers have.

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- First, in light of recent scandals at the IRS and NSA, is government intrusiveness. Few want the government to know where they go, when they go, and how long they stay there.
- Second is the general issue of information security: Will the information that the government collects - from vehicle mileage to credit card numbers -- be safe from hackers, criminals or others with malicious intent?

These questions have different degrees of difficulty, and both involve establishing and communicating options and control of personal information for consumers, and policies that create clear rights regarding information, oversight and accountability. Information security will also involve establishing and following procedures and protocols designed to protect data. That can be managed internally but requires a high level of management attention and follow-through.

Perhaps first and foremost is that no data about where and when people drive should exist anywhere outside the individual's own vehicle unless they voluntarily choose to provide that information. Oregon's current MBUF system does this, allowing people a choice of means to participate so that individuals can keep all of the information themselves, or receive some benefits for sharing their information subject to strict rules about its use.

Looking beyond Oregon's current system, for those who chose to share information, revenue collection agencies will need to explicitly inform citizens that security safeguards are in place -- and be able to demonstrate it. Part of creating an MBUF system acceptable to the public will be figuring out what specific policies and controls people will demand. I'd expect for starters that people would demand protections in place against improper search and disclosure from those with authorized access. And that any use of travel information will be subject to due process and not be freely available to state and local police, or federal agencies such as the FBI or the Department of Homeland Security, without legal protections.

Information security will also require some real work. A major breach of sensitive driver data would derail a MBUF program in nothing flat. At a minimum, a system should include security protocols similar to those used by banks and credit card companies.

Oregon's system is the proof that these challenges can be met. The state Department of Transportation and legislature wrestled at length with these issues, helped along by a lot of public input. In the end, they arrived at options for participants and legal controls that appear to work for most people. Even the ACLU approved the system. And [others have begun thinking](#) about how to address these issues as well.

States considering MBUF should not treat privacy issues lightly, but neither should they consider them to be insurmountable. It will take some work, but an MBUF system can work to pay for road infrastructure AND protect our privacy at the same time.



by James Whitty,
Oregon Department of
Transportation

NEXT STEP IN OREGON: MAKING THE PER-MILE ROAD USAGE CHARGE OPERATIONAL

Now that the Oregon Legislature passed SB 810 creating the nation's first per-mile road usage charge program for light vehicles, and the Governor has indicated a willingness to sign it, the Oregon Department of Transportation enters new territory for implementation of a fully operational mileage charging system.

While Oregon's per-mile road usage charge will apply to only 5,000 volunteers, people opting-in will experience a complete mileage tax system. Once they "sign up," likely online as per the recent pilot, they will be *real* taxpayers obligated by law to pay the per-mile charge but also receive a fuel tax rebate.

These volunteer-but-real taxpayers will self-install an electronic reporting device, easily done by pilot participants. Or they could activate a mileage-reporting device already contained within their vehicle (examples: On-Star, Ford Sync and other telematics/infotainment systems).

These willing taxpayers will receive an invoice by email or mail, likely quarterly. Some will receive a net refund check if the fuel tax rebate exceeds the per-mile charge. Payers will pay online or by mail.

The new law will discourage taxpayers, voluntary or not, from cheating. ODOT will impose sanctions if someone tampers with a mileage-reporting device or reports falsely. Nonpayment will result in penalties. SB 810 is a tax bill, after all.

How will Oregon DOT encourage volunteer taxpayers to step forward? People with fuel inefficient vehicles who drive a lot will likely be attracted to getting money back. SB 810 limits to 1,500 the number of vehicles in the program with a fuel efficiency rating of less than 17 mpg.

Oregon DOT will attempt to attract motorists driving more fuel efficient vehicles with additional services. For example, working with Oregon DEQ, the system may allow a taxpayer to remotely report the health of a vehicle's pollution control equipment to legally avoid vehicle-testing in non-attainment areas. Some people may eagerly jump at that value-added service.

There is much to do before Oregon's per-mile road usage charging system goes operational on July 15, 2015. ODOT must write first-of-a-kind administrative rules governing how the system will work, engage the private sector in an international procurement, develop viable contractual provisions for system operations, and create internal systems to ensure ease of application, and engage a first class communications and outreach effort.

The good news is that once the per-mile charging system becomes operational, the statutory infrastructure and administrative systems will be in place for mandatory taxpayers to be added at a later date. The five thousand volunteers allowed by SB 810 will allow testing of a *real* mileage-charging taxpayer system, one that has no end date per state law. The Oregon Department of Transportation is pleased to have this opportunity.



Richard "Trey" Baker,
Texas A&M
Transportation Institute

MBUF TECHNOLOGY: REPORT FROM THE MBUF SYMPOSIUM

Background: Since 2009, the Texas A&M Transportation Institute (TTI) and the Humphrey School of Public Affairs at the University of Minnesota have partnered with transportation stakeholders to present the annual Symposium on Mileage-Based user Fees. (MBUF).

This year, Symposium planners collaborated with ITS America to convene experts in mileage fees and intelligent transportation systems (ITS) as part of ITS America's Annual Conference in Nashville, TN. This venue prompted a focus on technologies that might support full-scale MBUF implementation and manufacturers, and technology providers. Each expert offered their perspective for developing effective MBUF programs that successfully address the fundamental issues of policy, technology and public acceptance.

Implementation Pathways: Research initiatives and Demonstrations. The 2013 Symposium kicked off with a discussion from the Oregon, Minnesota and Nevada DOTs on their respective MBUF pilot programs. Oregon has just completed its second pilot, and legislation authorizing an opt-in MBUF system for up to 5000 vehicles has just been signed into law.

A representative from the Nevada DOT reviewed roadblocks and lessons learned in developing the Nevada field test. Negative media bias was a major barrier to gaining public acceptance, and Nevada learned the importance of proactively developing positive relationships with the media to gain public support and increased participation.

Minnesota DOT's pilot incorporated options for use and non-use of technology. GPS-equipped mobile phones determined time and location, and assessed miles traveled. This technology was accepted by the public, especially when a non-technology option was offered as an alternative. While variability in GPS reads posed some accuracy problems in calculating fees, overall the pilot was viewed as successful.

Implementation Challenges. The challenges facing MBUF programs were discussed. Several experts discussed policy roadblocks impeding MBUF development and how technology can help alleviate these issues. A mileage fee and ITS consultant reviewed several myths surrounding MBUFs, including the high cost of implementation, bias against rural drivers, and loss of privacy. The consultant noted that outreach using facts to dispel myths will help gain public support for MBUF. Two experts discussed ways technology can be used to overcome implementation and public acceptance barriers. For example, technologies utilizing a vehicle's OBD-II port -- standard on cars sold in the US since 1996 -- can effectively collect mileage data without location data. Additionally, certain system elements can be privatized to reduce government involvement in data collection. Smart phones and other technologies that drivers are already using can be utilized to increase acceptance.

Nexus of Road User Fees and In-Vehicle Technologies. A recurring theme in the discussion of the role emerging technologies could play in implementing MBUF was the potential value of vehicle telematics. Telematics are already being used by insurance companies as part of usage-based insurance (UBI) programs collecting data via the vehicle's OBD-II port. Telematics have advantages over cell phone-based GPS systems: OBD-II port-based devices are completely transparent to the driver and do not suffer the accuracy and reliability issues of smart phone GPS applications. If the primary goal of MBUF program is to

assess fees solely for miles driven and not to vary those fees based on the location or time of travel, then a telematics-based system becomes an attractive solution.

Technology is developing rapidly to network a large percentage of our environment. Cars, home appliances, public utility systems, and even people will generate their own telematics data that will in turn feed what was termed the "Internet of Things" and the "Internet of Everything" (IOE) by various presenters. An expert from Cisco Systems noted that as the IOE economy continues to develop, new data-dependent business models will shape the way humans interact with one another and their environment in the future. Connected vehicle technology is an advancing aspect of IOE. A presenter from General Motors discussed implementation of a new "Driver Assistance" technology in select 2013 GM models. There was widespread agreement that connected vehicles and IOE technologies could potentially support MBUF deployment. While both intriguing and promising, such technologies require significant development and full-scale deployment is still years away.

The Path Forward: General themes emerged from a lively exchange of many viewpoints:

- Technology and non-technology options exist now for implementing MBUF.
- The technologies selected are less important than developing policy and public acceptance.
- Any one technology developed for an IOE purpose could successfully break through policy and acceptance barriers and open doors for MBUF and many other IOE applications.
- Much more research on MBUF policy, acceptance and implementation is needed, incorporating larger, multi-regional levels.
- Connected vehicle technologies are appealing as a means of implementing MBUF but appear to be at least a decade away from commercial application.
- Vehicle telematics are an attractive near-term option for deploying MBUF systems.

LEGISLATORS VISIT OREGON, BRIEFED ON ROAD USE CHARGING

Eleven state legislators from around the country, many of them transportation committee chairs in their respective states, received an intensive briefing on Oregon's pursuit of a mileage-based user fee, as part of the "Transportation Policy Academy" sponsored by the Council on State Governments on July 18-20.

Officials from Oregon's DOT, including MBUFA vice chairman Jim Whitty, reviewed the Oregon pilot programs and how the legislation came about. They also discussed how the state has addressed concerns about privacy, communications, and myths about mileage differences for urban and rural drivers. [Continue reading the article by Sean Slone of CSG Knowledge Center.](#)



EVENTS

AUGUST

[Florida Transportation Commission & Reason Foundation's Sustainable Transportation Funding Workshop](#)

August 15, 2013

SEPTEMBER

[IBTTA Annual Meeting & Exhibition](#)

September 22-25, 2013

[Transportation Research Board Annual Meeting](#)

January 13-17, 2013

OCTOBER

[ITS World Congress Tokyo 2013](#)

October 14-18, 2013

[AASHTO 2013 Annual Meeting](#)

October 17-21, 2013

[IBTTA International Technology Workshop](#)

October 27-29, 2013

JANUARY, 2014

[Transportation Research Board Annual Meeting](#)

January 12-16, 2014

NEWS

[The Era of Pay-Per-Mile Driving Has Begun](#)

[Oregon Legislature Enables Road Use Charge \(RUC\) of 1.5c/mile to Start as Voluntary Scheme July 2015](#)

[Q & A: Oregon's New Mileage Tax Explained](#)

[Oregon Lawmakers OK First-Ever Mileage-Based User Fee in US](#)

[Is Oregon's Mileage Tax the Future for the Rest of US?](#)

[Out of Gas: How Can We Save the Nation's Ailing Infrastructure?](#)

[Most Finns would prefer mileage-based tax rather than tax on vehicle purchase](#)

[Technology will make or break Oregon's Mileage Tracking Program](#)

[Oregon Pilot Program to Charge Drivers by the Mile, not the Gallon](#)

[Crumbling, gridlocked transportation infrastructure needs help - IBTTA](#)

[Sustainable Funding for Roads: Building the Case for 21st Century Tolling](#)

[Gas Tax is Running Low. But What Should Replace It? - Wall Street Journal](#)

[Wisconsin is most recent state to consider mileage-based user fee](#)

[Economists vs. Realists on Mileage-Based User Fees -Reason Foundation](#)

RESEARCH LIBRARY

["What do Americans Think About Federal Tax Options to Support Public Transit, Highways, and Local Streets and Roads? Results from Year Four of a National Survey". The Mineta Transportation Institute](#)

Council of State Governments Knowledge Center Transportation Policy Academy presentations on Oregon's Mileage-Based Road Usage Charge Program

- [Oregon's Road Usage Charge Program: Paying for Distance Travelled \(Jim Whitty PowerPoint presentation\)](#)
- [Cost and Revenue Modeling for Road Usage Charging \(Travis Dunn \(D'Artagnan Consulting\) PowerPoint presentation\)](#)
- [Evaluation of Oregon DOT Road Usage Charging Pilot Program \(Steve Morello, D'Artagnan Consulting\)](#)
- [Road Usage Charge Pilot Program Administration and Lessons Learned \(Louis Neudorff, CH2M HILL\)](#)
- [Road Usage Charging Urban-Rural Analysis \(DHM Research\)](#)
- [Pilot Program Communications \(Kristin Hull, CH2M HILL\)](#)

[RAND: Mileage-Based User Fees for Transportation Funding: A Primer for State and Local Decisionmakers.](#)

["Road to Nowhere: Federal Transportation Infrastructure Policy" -- Council on Foreign Relations](#)

[The Mediating Role of Motorists' Evaluation of Current Roadway Conditions in Determining Their Willingness to Pay for Future Improvements. Morgan State University National Transportation Center](#)

[Equity of Evolving Transportation Finance Mechanisms: Transportation Research Board August, 2011](#)



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